



**THE PORT OF
VIRGINIA**

**VIRGINIA PORT AUTHORITY
COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR FISCAL YEAR ENDED JUNE 30, 2014



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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE

VIRGINIA PORT AUTHORITY

A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA

FOR THE FISCAL YEAR ENDED
JUNE 30, 2014



Prepared by the Finance Department of
the Virginia Port Authority

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October 31, 2014

To the Board of Commissioners and Stakeholders:

Fiscal 2014 was filled with milestones. A new administration took office in Richmond. The Virginia Port Authority (VPA) board was reconstituted. A new CEO took the helm at The Port of Virginia and a senior leadership team was assembled. Organizational barriers and inefficiencies that separated VPA and its operating affiliate, Virginia International Terminals, LLC, (VIT) were removed and a new corporate structure was engineered.

Against this backdrop of productive change, world markets and economic performance continued to improve. The Port of Virginia capitalized on this commercial resurgence by achieving the best fiscal year cargo volume performance in its history. In addition to handling record cargo volumes, an emphasis on sustainable growth and fiscal responsibility has produced a positive change in the port's financial performance. We earned an operating profit in three of the last six months of fiscal 2014 and that trend has continued through the first quarter of fiscal 2015.

Historic cargo volumes combined with reduced capital investment immediately following the global recession of 2008 – 2010 created operational challenges for the port. Multiple operating and IT initiatives have been implemented and others are underway. All such initiatives are intended to speed the flow of cargo through our facilities while improving service levels to our trucking and rail partners.

Fiscal 2014 highlights (in chronological order):

- Moody's and Standard & Poor's affirmed the strength of \$274 million in outstanding port facilities revenue bonds, issuing a "stable" rating.
- Virginia International Terminals, Inc., was converted to Virginia International Terminals, LLC.
- The local agreement was ratified by the International Longshoremen's Association and port management.
- China lifted a multi-year ban on the export of hardwood logs from The Port of Virginia.
- Forbes named Virginia its Best State For Business.
- In January 2014, it was announced that calendar 2013 was the port's best ever for cargo volume – 2.22 million TEUs processed.
- John F. Reinhart assumed the role of executive director and CEO of the VPA.
- The Motor Carrier Task Force was formed to address congestion at the port's truck gates.
- Foreign Trade Zone 20 was granted alternative site framework.
- Fitch Ratings gave it's A, "stable" rating to \$159 million in outstanding VPA facilities revenue and refunding bonds.

- Pasha Automotive Services brought automotive exports back to Portsmouth Marine Terminal.
- China lifted a multi-year ban on exported Virginia poultry.
- The passage of the federal WRRDA bill included language transferring Craney Island land back to the Commonwealth.
- The Navis N4 terminal operating system was implemented at Norfolk International Terminals without issue.

In Conclusion

The Port of Virginia is an enviable position. While short-term challenges exist in the operational arena (ex. service levels for truckers), our long-term prospects are robust. Virginia boasts the deepest channels on the East Coast, at 50-feet, and is the only port in the range with Congressional authorization to dredge to 55-feet. Our strong rail connections and the presence of dozens of retail distribution centers are already driving 9,000+ TEU vessels to our terminals.

In terms of expanded terminal capacity, Virginia's position compares favorably with every port in the U.S. The possibility of an expanded Virginia International Gateway represents short-term capacity relief, while the initial phase of construction at Craney Island promises a doubling of the port's capacity in 15-20 years.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. F. Reinhart', with a large, stylized flourish at the end.

John F. Reinhart
CEO/Executive Director



John F. Reinhart
CEO/Executive Director

Virginia Port Authority
600 World Trade Center
Norfolk, VA 23510

October 31, 2014

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

Dear Commissioners:

The Comprehensive Annual Financial Report (CAFR) of the Virginia Port Authority (the Authority) for the fiscal year ended June 30, 2014, as required by §62.1-139 of the Code of Virginia for submission to the Governor and General Assembly on or before November 1 of each year, is hereby submitted.

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

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

The Auditors at CliftonLarsonAllen, LLP have issued an unmodified opinion on the Authority's financial statements for the year ended June 30, 2014. 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 Port of Richmond (RIC). 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 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 the Port of Richmond) 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 to emphasize that it is legally separate from the Authority and that it serves or benefits those outside of the Authority. The financial statements of VIT were audited by other auditors. The VIT budget is prepared annually and approved by the VPA Board of Commissioners prior to July 1 of each fiscal year. More detailed information can be found in the footnotes to the financial statements.

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

Finance and Risk Management

Enterprise funds are used to account for proprietary operations, similar to private business operations where the operating costs are funded through user charges. The Virginia Port Authority has one such enterprise fund to which all accounts are organized and accounted for as

a single reporting entity. The Authority's primary source of funding for its operations is through the net revenues generated from terminal operations and subsequently transferred from VIT. Capital improvements are primarily funded through long-term debt and allocations of certain revenues collected by the Commonwealth.

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

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

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

Virginia Port Authority and the Economy

The Port's success has generated huge economic spin-off benefits to the Commonwealth. Annually, port-related business provides over 343,000 jobs, \$41 billion in revenues, \$13.5 billion in payroll compensation, and \$1.2 billion in local tax revenues. Since 1996, port-related warehousing and distribution investment has increased by over \$416 million and employed over 12,000 people in the Hampton Roads area alone. The Virginia Inland Port, located in Front Royal Virginia, has stimulated the attraction of some 24 warehousing and distribution centers near the Inland Port providing a total investment of \$599 million with over 6 million square feet of space together with employee levels of over 7,000 workers. Household names like Wal-Mart, Target, Home Depot, Dollar Tree, Family Dollar, and Cost Plus have all set up distribution facilities in the Commonwealth in large measure due to the presence of a world class port facility and structure.

Long Term Financial Planning

Over the next twenty years, containerized cargo volume is expected to triple, far exceeding the current capacity of the port network in the U.S. The Port of Virginia has two unique opportunities to meet this demand with the ability to further expand the VIG terminal and the proposed development of a new container terminal on the eastward side of Craney Island. The

Hampton Roads region is also beginning to mobilize around the opportunity to develop 20-60 million square feet of supporting distribution center space. The depth of our harbor, having the ability to accommodate the “post-Panamax” vessels and deep-loaded container ships, makes the 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 VPA/VIT organization is unique in the industry and has a proven track record for success. For over 30 years, this structure has resulted in phenomenal growth, benefiting not only Virginians but also the entire U.S. However, the Authority and Virginia International Terminals 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 Port of Richmond, 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. This trend will continue as the once-dormant Portsmouth Marine Terminal now provides periodic automotive export services and is scheduled to reopen for additional operations in the upcoming fiscal year. 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.

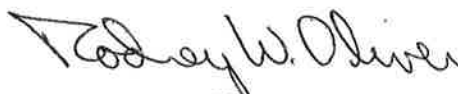
Awards and Acknowledgements

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, 2013. This was the eighth 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 CliftonLarsonAllen, LLP. Finally, we express our deepest appreciation to the members of the Virginia Port Authority Board of Commissioners for their continued guidance and leadership towards ensuring the fiscal integrity of the Virginia Port Authority.

Respectfully Submitted,

A handwritten signature in black ink that reads "Rodney W. Oliver". The signature is written in a cursive style with a large, stylized initial 'R'.

Rodney W. Oliver
Chief Financial Officer

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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, 2013

A handwritten signature in black ink, reading "Jeffrey R. Emen". The signature is written in a cursive, flowing style.

Executive Director/CEO

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VIRGINIA PORT AUTHORITY

Norfolk, Virginia

BOARD OF COMMISSIONERS

John G. Milliken, Chairman

John N. Pullen, Vice Chairman

G. Robert Aston, Jr.

Jennifer D. Aument

Martin J. Briley

J. William Cofer

Alan A. Diamonstein

Gary T. McCollum

Val. S. McWhorter

Faith B. Power

Kim Scheeler

Deborah C. Waters

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

John F. Reinhart, CEO/Executive Director

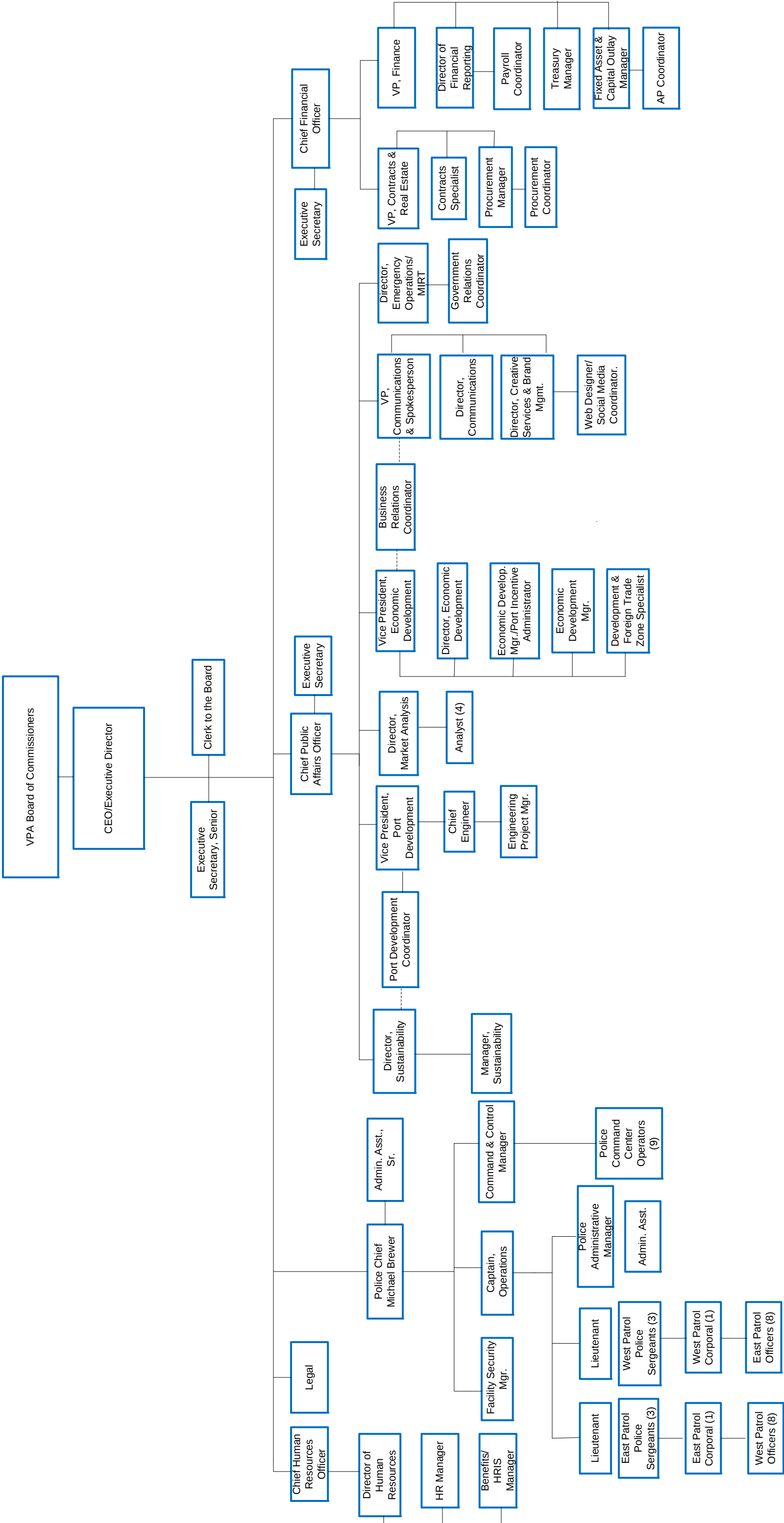
Rodney W. Oliver, Chief Financial Officer
and Treasurer to the Board

Debra J. McNulty, Clerk/Secretary to the Board

Jodie L. Asbell, Deputy Clerk/Assistant Secretary to the Board

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Virginia Port Authority Organizational Alignment



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INDEPENDENT AUDITOR'S REPORT

The Honorable Terry McAuliffe
Governor of Virginia

The Honorable John C. Watkins
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 and each major fund of the Virginia Port Authority (the Authority), a component unit of the Commonwealth of Virginia as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of Virginia International Terminals, LLC. (VIT), a blended component unit of the Authority, as of and for the year ended June 30, 2014. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for VIT, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Auditors' Responsibility (continued)

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

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

Opinion

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, and the blended component unit (VIT) as of June 30, 2014, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 19 through 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2014, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

CliftonLarsonAllen LLP

Arlington, Virginia
October 31, 2014

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VIRGINIA PORT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

(Unaudited)

Our discussion and analysis of the Virginia Port Authority's (the Authority's) financial performance provides an overview of the Authority's financial activities as of and for the fiscal year ended June 30, 2014. Please read it in conjunction with the Authority's financial statements and notes to financial statements. This MD&A focuses on the Virginia Port Authority, exclusive of its component unit, Virginia International Terminals, LLC.(VIT). VIT is presented in the Authority's financial statements as a blended component unit. The financial statements of VIT were audited by other auditors. VIT's Management Discussion and Analysis is included in those audited financial statements.

ABOUT THE AUTHORITY

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

A Board of Commissioners manages 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 pleasure of the Governor, they serve staggered five-year terms. Commissioners may serve a maximum of two consecutive terms.

FINANCIAL HIGHLIGHTS

- Operating revenues for the Authority were \$88.0 million. Container volume in the port for the fiscal year ended June 30, 2014 was 2,305,911 TEU's (twenty-foot equivalent container units), an increase of 6.5% from fiscal year 2013.

- The Authority's net position decreased by \$18.1 million for the fiscal year ended June 30, 2014. Major contributing factors were lower operating revenue from component unit and increased facility rent.
- The assets of the Authority exceeded its liabilities by \$342.9 million at the fiscal year ended June 30, 2014. Of this amount, \$56.7 million was unrestricted and may be used to meet the Authority's ongoing obligations to creditors.
- The Authority's total assets decreased \$48.8 million and total liabilities decreased \$20.3 million during fiscal year ended June 30, 2014.

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. The purpose of the GASB 34 reporting model is to consolidate two basic forms of governmental accounting, governmental (such as municipalities) and proprietary (those entities which generate their own revenues and therefore are similar to a private business such as the Authority) operations, into statements that give the reader a clearer picture of the financial position of the government as a whole. The Authority is considered a proprietary form of government and its financial transactions are recorded in a single Enterprise Fund.

As stated above, the Authority operates as a single Enterprise Fund with one component unit, Virginia International Terminals, 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, except land, are capitalized and depreciated over their useful life. Please refer to Note 1 in the accompanying notes to the financial statements for a summary of the Authority's significant accounting policies. Following this MD&A are the basic financial statements and supplementary information of the Authority. These statements and the statistical information, along with the MD&A are designed to provide readers with a complete understanding of the Authority's finances.

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

Statement of Net Position

The Statement of Net Position presents the financial position of the Authority at the end of the fiscal year. The statement includes all assets and liabilities of the Authority. Net Position, the difference between total assets and total liabilities, is an indicator of the current fiscal health of the organization and the Authority's financial position over time.

A condensed summary of the Authority's assets, liabilities, and net position at June 30, 2014 and 2013, respectively were as follows:

Authority Net Position
(in Millions)

	<u>2014</u>	<u>2013</u>	<u>Variance</u>
ASSETS:			
Current assets	\$ 103.3	\$ 101.1	\$ 2.2
Capital assets	741.8	774.7	(32.9)
Other long-term assets	54.9	73.0	(18.1)
Total assets	<u>900.0</u>	<u>948.8</u>	<u>(48.8)</u>
Deferred outflows	5.3	-	5.3
Total assets and deferred outflows	<u>905.3</u>	<u>948.8</u>	<u>(43.5)</u>
LIABILITIES:			
Current liabilities	45.7	46.7	(1.0)
Noncurrent liabilities	516.7	536.0	(19.3)
Total liabilities	<u>562.4</u>	<u>582.7</u>	<u>(20.3)</u>
NET POSITION:			
Net Investment in capital assets	251.4	267.7	(16.3)
Restricted for debt service	34.8	46.1	(11.3)
Unrestricted	56.7	52.3	4.4
Total net position	<u>\$ 342.9</u>	<u>\$ 366.1</u>	<u>\$ (23.2)</u>

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

Current Assets increased \$2.2 million over 2013 primarily due to increases in unrestricted cash and cash equivalents. Capital assets decreased \$32.9 million from year 2013, a large part due to more depreciation expense than new asset purchases. Please see the footnotes for additional details on capital assets. Other assets decreased by \$18.1 million due primarily decreases in investments and reclassification of deferred charges.

Current liabilities decreased \$1.0 million primarily as a result of less current long term debt payable than 2013. Noncurrent liabilities decreased \$19.3 million primarily as the result of principal payments on long-term debt.

The largest portion of the Authority's net position (73.3% at June 30, 2014) represents its investment in capital assets (e.g. land, buildings, infrastructure, improvements, and equipment), less the related debt outstanding used to acquire those capital assets. The Authority uses these capital assets to provide services to major steamship lines and their agents for movement of maritime cargo; consequently these assets are not available for future spending. Although the Authority's investment in capital assets reported is shown net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations and appropriation, since the capital assets themselves generally are not sold to liquidate liabilities.

An additional portion of the Authority's net position (10.2% at June 30, 2014) represents resources that are subject to external restrictions on how they can be used under bond resolutions and federal regulations. The remaining unrestricted net position (16.5% at June 30, 2014) may be used to meet any other of the Authority's ongoing obligations.

Statement of Revenues, Expenses, and Changes in Net Position

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the Authority's operations and can be used to determine whether the Authority's fiscal condition has improved or worsened during the year. A summary of the Authority's revenues, expenses, and changes in net position for the years ended June 30, 2014 and 2013, were as follows:

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

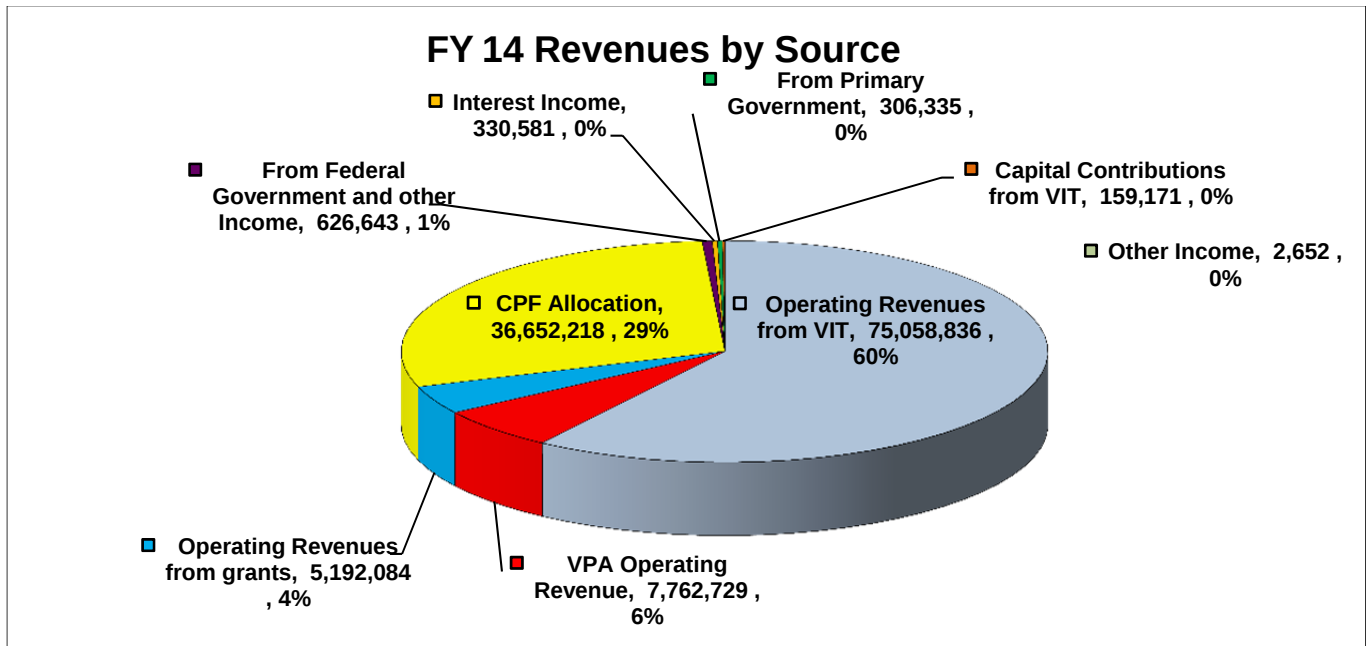
	<u>2014</u>	<u>2013</u>	<u>Variance</u>
Operating revenues	\$ 88.0	\$ 103.1	\$ (15.1)
Operating expenses	123.9	120.6	3.3
Operating earnings (loss)	<u>(35.9)</u>	<u>(17.5)</u>	<u>(18.4)</u>
Non-operating revenues and (expenses)	<u>(19.1)</u>	<u>(17.3)</u>	<u>(1.8)</u>
Loss before capital contributions and transfers	<u>(55.0)</u>	<u>(34.8)</u>	<u>(20.2)</u>
Capital contributions and transfers:			
Commonwealth port fund allocation	36.7	37.2	(.5)
Capital contribution from Component Unit	.2	.1	.1
Increase(decrease) in net position	<u>\$ (18.1)</u>	<u>\$ 2.5</u>	<u>\$ (20.6)</u>

Total operating revenues decreased \$15.1 million (or 14.6%) during fiscal year 2014. The change was due primarily to a decrease in operating revenues transferred from Virginia International Terminals. Operating expenses for the fiscal year ended June 30, 2014 were \$3.3 million (or 2.7%) over fiscal year 2013 primarily as a result of an increase in the VIG rent, in part due to increased volume. During the fiscal year ended June 30, 2014 net non-operating revenues and expenses increased by \$1.8 million from fiscal year 2013. The increase was primarily due to a decrease in Federal Grant revenues.

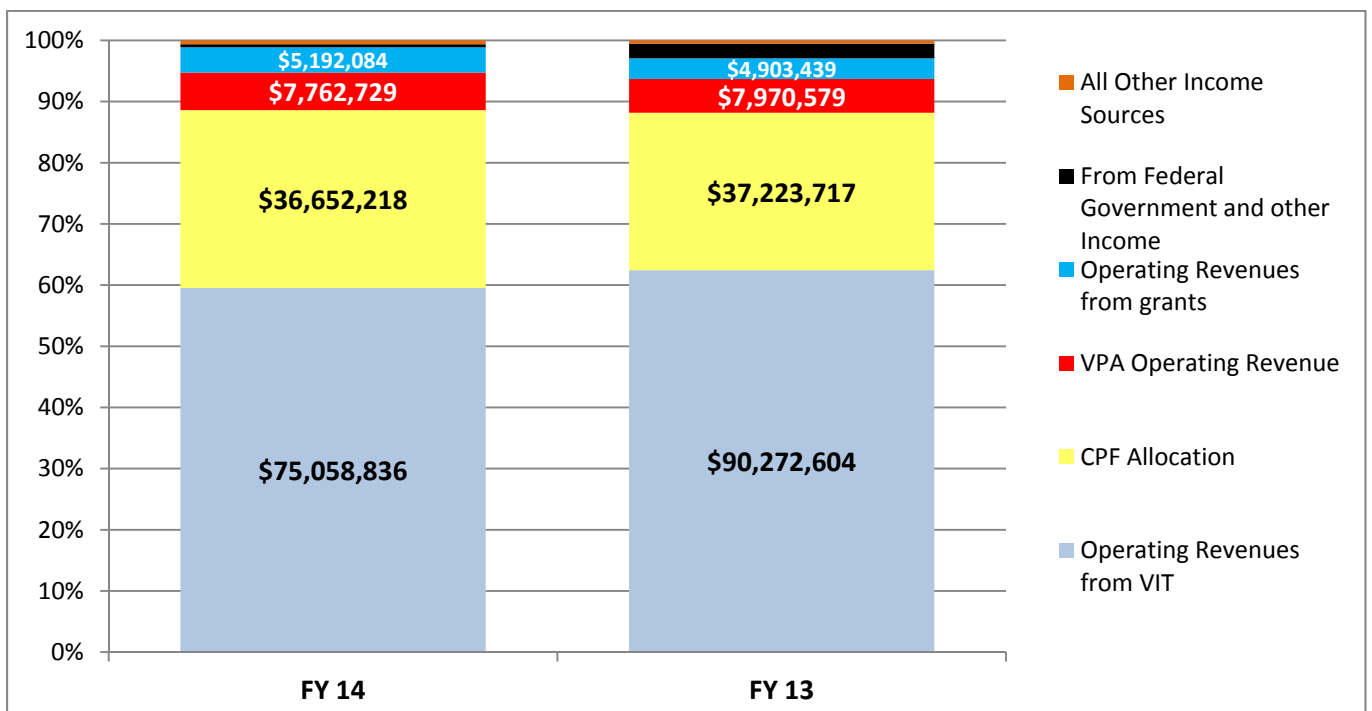
The Commonwealth port fund allocation represents the Authority's 4.2% allocation of revenues from the Commonwealth's Transportation Trust Fund, a combination of a portion of the state sales tax, and motor vehicle fuel and related taxes and fees. Commonwealth port fund collections were \$572 thousand or 1.6% lower than fiscal year 2013.

The Authority received \$159.2 thousand in capital improvements from VIT in fiscal year 2014, primarily relating to improvements made by VIT for storm water drains and the installation of permanent gate lighting.

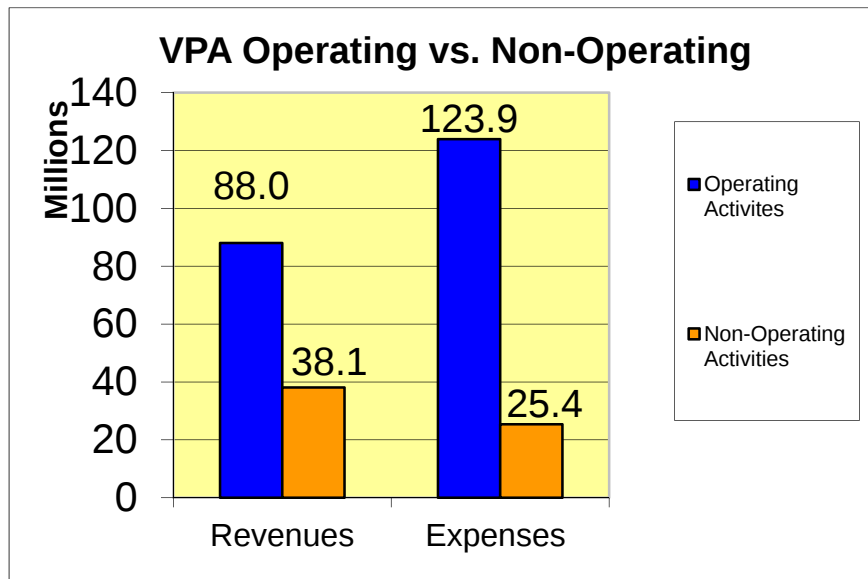
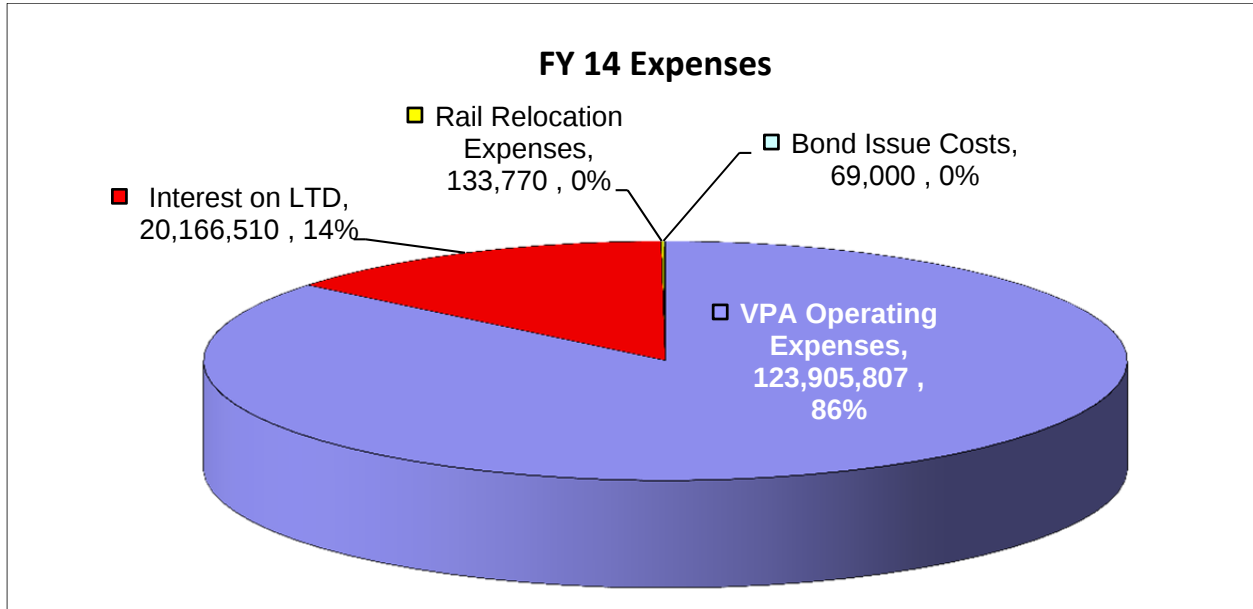
A graphical view of the Authority's revenues by source includes operating and non-operating revenues, transfers and contributions for the fiscal year ended June 30, 2014 by dollar amount and percentage.



Revenues of 90% or better come from VIT Operating Revenues, CPF Allocations, VPA Operating Revenues and Operating Revenues from Grants for fiscal years ended June 30, 2014 and June 30, 2013, respectively, as represented in the chart below:



A similar graph shows, by dollar amount and percentage, the Authority's operating and non-operating expenses for the fiscal year ended June 30, 2014.



The bar graph shows operating vs. non-operating activities (interest, capital improvements and acquisitions as well as their funding sources) for fiscal year ended June 30, 2014. Net Position decreased by \$23.2 million with net losses from operations being partially offset by non-operating activities and the GASB 65 restatement (see footnote 15).

Statement of Cash Flows

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

Statement of Cash Flows (in Millions)

	<u>2014</u>	<u>2013</u>	<u>Variance</u>
Cash flow from operating activities	\$ 20.5	\$ 26.6	\$ (6.1)
Cash flow from noncapital financing activities	(0.2)	(0.2)	-
Cash flow from capital and related financing activities	(17.8)	(17.5)	(.3)
Cash flow from investing activities	<u>(9.7)</u>	<u>21.6</u>	<u>(31.3)</u>
Net increase (decrease) in cash and cash equivalents	(7.2)	30.5	(37.7)
Cash and cash equivalents			
Beginning of year	<u>136.7</u>	<u>106.2</u>	<u>30.5</u>
End of year	<u>\$ 129.5</u>	<u>\$ 136.7</u>	<u>\$ (7.2)</u>

Cash flow from operating activities decreased \$6.1 million in fiscal year 2014 primarily as a result of lower receipts from customers and users of \$13.1 million partially offset by lower payments for expenses and payments to employees. Outflows from noncapital financing activities and cash flow from capital and related financing activities remained relatively consistent. Cash flow from investing activities decreased \$31.3 million primarily due to an increase in the purchasing of securities.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The Authority's investment in capital assets as of June 30, 2014, amounted to \$741.8 million (net of accumulated depreciation). This investment in capital assets primarily includes land, buildings, wharves, roads, drainage and lighting systems, and equipment. Major capital asset events during the current fiscal year included the following:

- Expenditures of \$1.7 million for NIT South Gate Improvements
- Expenditures of \$1.7 million for the remaining purchase of Locomotives
- Expenditures of \$.9 million for NIT Pavement Projects
- Expenditures of \$.3 million for Craney Island terminal expansion
- Expenditures of \$.8 million in security related equipment/projects (all terminals)
- Capitalized interest (net of capitalized income) of \$175 thousand was added to the cost of capital assets in fiscal year 2014
- Completion of \$8.0 million of various Infrastructure/Security projects (all terminals)

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

Long-term Debt

Bonds. At June 30, 2014, the Authority had \$493.7 million in long-term debt, excluding current maturities and issuance premiums. Of this amount, \$469.9 million is in the form of revenue bonds issued by the Authority and \$23.8 million in lease purchases. During 2014, the Authority had one bond issue, consisting of a refunding series for \$37.9 million which refunded all but \$15.3 million of the 2003 Port Facilities Fund Revenue Bonds and \$80.8 million of the 2006 Port Facilities Fund Revenue Bonds, reducing the amount of interest to be paid over the term of the bonds. The economic gain for this transaction was \$5.1 million.

Commonwealth Port Fund Revenue bonds issued in 2005, 2006, 2011 and 2012 are supported by the Authority's 4.2% allocation of the Commonwealth's Transportation Trust Fund. The bonds are also backed by a sum sufficient appropriation from the Commonwealth and carry underlying ratings of AA+ from Fitch Ratings, Inc., an AA+ rating from Standard and Poor's, and an Aa1 rating from Moody's Investor Services.

Port Facilities Revenue bonds issued in 2003, 2006, 2007, 2010 and 2013 are supported by terminal revenues and insurance policies and carry underlying ratings of A from Fitch Ratings, Inc., A+ from Standard and Poor's, and an Aa3 underlying rating from Moody's Investor Services. The Authority's bond covenants require that revenues available to pay debt service, as defined in the bond resolution, exceed 110% and 135% of the annual debt service amount. The debt service coverage test for fiscal year 2014 was met and exceeded.

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

ECONOMIC AND OTHER FACTORS

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

On July 6, 2010 per an agreement between the Virginia Port Authority (lessee), APM Terminals Virginia, Inc. (lessor), Virginia International Terminals, LLC. (operator) and APM Terminals North America, Inc. (owner), APM Terminals in Portsmouth, Virginia, became a facility under the umbrella of the Authority. Lease commitments extend to June 30, 2030. The transition resulted in a significant increase in volume, revenue, and operating expenses resulting from the increased operations, acquisition of contracts, improved technology, and modernization of equipment inherent in this transaction. Final acceptance of the terminal at the end of April 2012 ended the transitional rent period. APM was recently purchased and renamed Virginia International Gateway (VIG). See footnote 16 for more details.

The Authority began leasing the Port of Richmond in July 2011, with plans to increase volume on the James River Barge Line as soon as possible, taking more container movements off of Virginia's highways. The Authority is actively seeking federal grants to help with funding of this venture as well as other projects to increase security, or lessen our environmental foot print.

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

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, customers, and investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money we receive. If you have any questions about this report or need additional financial information, contact the Authority's Finance Department at 600 World Trade Center, Norfolk, VA 23510-1679.

VIRGINIA PORT AUTHORITY & VIRGINIA INTERNATIONAL TERMINALS, LLC
STATEMENT OF NET POSITION
As of June 30, 2014

	Authority	Virginia International Terminals, LLC	Eliminations	Total Business-Type Activities
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 61,723,188	\$ 8,863,729	\$ -	\$ 70,586,917
Restricted assets:				
Cash and cash equivalents [Footnote 2]	29,730,096	14,000,720	-	43,730,816
Investments [Footnote 2]	-	3,196,257	-	3,196,257
Investments held by Treasurer of VA [Footnote 2]	128,795	-	-	128,795
Accounts receivable, net	3,440,772	62,700,529	-	66,141,301
Due from transportation trust	5,886,777	-	-	5,886,777
Due from component unit	2,245,695	-	(2,245,695)	-
Inventories	-	13,167,982	-	13,167,982
Other current assets [Footnote 4]	126,963	5,581,856	-	5,708,819
Total current assets	103,282,286	107,511,073	(2,245,695)	208,547,664
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents [Footnote 2]	38,075,872	-	-	38,075,872
Investments [Footnote 2]	13,787,913	-	-	13,787,913
Pension plan assets [Footnote 10]	2,131,152	11,533,705	-	13,664,857
Bond insurance costs, net	954,649	-	-	954,649
Non-depreciable capital assets [Footnote 5]	214,638,604	-	-	214,638,604
Depreciable capital assets, net [Footnote 5]	527,117,027	18,492,705	-	545,609,732
Total noncurrent assets	796,705,217	30,026,410	-	826,731,627
Total Assets	899,987,503	137,537,483	(2,245,695)	1,035,279,291
DEFERRED OUTFLOW OF RESOURCES				
Deferred charges on refundings	5,300,549	-	-	5,300,549
Total assets and deferred outflows	905,288,052	137,537,483	(2,245,695)	1,040,579,840

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

VIRGINIA PORT AUTHORITY & VIRGINIA INTERNATIONAL TERMINALS, LLC
STATEMENT OF NET POSITION
As of June 30, 2014

	Authority	Virginia International Terminals, LLC	Eliminations	Total Business-Type Activities
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	5,671,754	25,231,127	-	30,902,881
Interest payable	10,190,958	-	-	10,190,958
Retainage payable	268,733	-	-	268,733
Long-term debt - current portion [Footnote 6]	24,982,414	-	-	24,982,414
Compensated absences - current portion [Footnote 6]	495,588	2,111,869	-	2,607,457
Payroll withholdings	3,424	291,097	-	294,521
Obligations under securities lending	4,106,813	-	-	4,106,813
Due to Authority	-	2,245,695	(2,245,695)	-
Total current liabilities	45,719,684	29,879,788	(2,245,695)	73,353,777
Noncurrent liabilities:				
Long-term debt [Footnote 6]	503,181,009	-	-	503,181,009
Compensated absences [Footnote 6]	6,925	1,633,232	-	1,640,157
Workers compensation costs [Footnote 13]	-	2,008,378	-	2,008,378
Accrued pension and OPEB obligations [Footnote 11]	194,709	3,020,974	-	3,215,683
Other noncurrent liabilities [Footnote 9]	13,277,025	-	-	13,277,025
Total noncurrent liabilities	516,659,668	6,662,584	-	523,322,252
Total Liabilities	562,379,352	36,542,372	(2,245,695)	596,676,029
NET POSITION				
Net Investment in Capital Assets	251,399,957	18,481,076	-	269,881,033
Restricted for:				
Debt service	34,823,401	17,196,978	-	52,020,379
Unrestricted	56,685,342	65,317,057	-	122,002,399
Total net position	342,908,700	100,995,111	-	443,903,811
Total liabilities, deferred inflows and net position	\$ 905,288,052	\$ 137,537,483	\$ (2,245,695)	\$1,040,579,840

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

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VIRGINIA PORT AUTHORITY & VIRGINIA INTERNATIONAL TERMINALS, LLC
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Twelve Months Ended June 30, 2014

	Authority	Virginia International Terminals, LLC	Eliminations	Total Business-Type Activities
Operating Revenues:				
Terminal operating revenues	\$ -	\$ 383,714,148	\$ -	\$ 383,714,148
Other revenues	7,762,729	-	-	7,762,729
Other revenues - Grants	5,192,084	-	-	5,192,084
Operating revenues from component unit	75,058,836	-	(75,058,836)	-
Total operating revenues	88,013,649	383,714,148	(75,058,836)	396,668,961
Operating Expenses:				
Terminal operations	1,309,688	174,934,146	-	176,243,834
Terminal maintenance	8,324,365	83,836,379	-	92,160,744
General and administrative	19,035,258	27,027,774	-	46,063,032
Facility rental	52,479,613	-	-	52,479,613
Depreciation and amortization	42,756,883	3,527,373	-	46,284,256
Payments due to Authority	-	75,058,836	(75,058,836)	-
Total operating expenses	123,905,807	364,384,508	(75,058,836)	413,231,479
Operating income (loss)	(35,892,158)	19,329,640	-	(16,562,518)
Non-operating revenues (expenses)				
Interest income	330,581	224,937	-	555,518
Interest expense	(20,166,510)	-	-	(20,166,510)
Bond Issue Costs	(69,000)	-	-	(69,000)
Commonwealth Rail relocation expenses	(133,770)	-	-	(133,770)
Revenues from Federal Government	626,643	-	-	626,643
Revenues/Expenses (Primary Government)	306,335	-	-	306,335
Gain (loss) on disposals	2,652	-	-	2,652
Income (loss) before capital contributions and transfers	(54,995,227)	19,554,577	-	(35,440,650)
Capital contributions				
Commonwealth Port Fund allocation	36,652,218	-	-	36,652,218
Capital contributions (to) from component unit	159,171	(148,171)	-	11,000
Increase (decrease) in Net Position	(18,183,838)	19,406,406	-	1,222,568
Net Position - Beginning of Year	366,107,515	69,381,433	-	435,488,948
Restatements ^[Footnote 15]	(5,014,977)	12,207,272	-	7,192,295
Net Position Restated - Beginning of Year	361,092,538	81,588,705		442,681,243
Net Position - End of Year	\$ 342,908,700	\$ 100,995,111	\$ -	\$ 443,903,811

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

VIRGINIA PORT AUTHORITY & VIRGINIA INTERNATIONAL TERMINALS, LLC
STATEMENT OF CASH FLOWS
For the Twelve Months Ended June 30, 2014

	Authority	Virginia International Terminals, LLC	Eliminations	Total Business-Type Activities
Cash flows from operating activities:				
Receipts from customers and users	\$ 89,258,869	\$ 373,181,760	\$ (81,939,772)	\$ 380,500,857
Receipts from operating grants	5,192,084	-	-	5,192,084
Payments for operating expenses	(69,333,138)	(169,738,256)	-	(239,071,394)
Payments to employees	(4,633,903)	(113,195,492)	-	(117,829,395)
Net cash provided by (used in) operating activities	20,483,912	90,248,012	(81,939,772)	28,792,152
Cash flows from noncapital financing activities:				
Transfer to primary government	(193,825)	-	-	(193,825)
Net cash transfers to VPA	-	(81,939,772)	81,939,772	-
Net cash provided by (used in) noncapital financing activities	(193,825)	(81,939,772)	81,939,772	(193,825)
Cash flows from capital and related financing activities:				
Proceeds from long-term debt [Footnotes 6&7]	37,939,267	-	-	37,939,267
CPF Contribution	37,030,809	-	-	37,030,809
Acquisition of capital assets	(7,754,868)	(4,848,953)	-	(12,603,821)
Principal paid on long-term debt	(64,974,446)	-	-	(64,974,446)
Interest paid on long-term debt	(21,144,937)	-	-	(21,144,937)
Bond issue costs	(69,000)	-	-	(69,000)
Receipts and payments for Commonwealth Rail relocation	(133,770)	-	-	(133,770)
Transfer from primary government	500,160	-	-	500,160
Capital transfer from component unit	159,171	(159,171)	-	-
Proceeds from federal government	626,643	-	-	626,643
Proceeds from sale of capital assets	4,225	102,713	-	106,938
Net cash provided by (used in) capital and related financing activities	(17,816,746)	(4,905,411)	-	(22,722,157)
Cash flows from investing activities:				
Proceeds from sales and maturities	58,865,812	21,101,637	-	79,967,449
Payments for investments	(68,905,593)	(4,084,894)	-	(72,990,487)
Interest and dividends received	330,581	491,609	-	822,190
Net cash provided by (used in) investing activities	(9,709,200)	17,508,352	-	7,799,152
Net increase (decrease) in cash and cash equivalents	(7,235,859)	20,911,181	-	13,675,322
Cash and cash equivalents at beginning of year	136,765,015	1,953,268	-	138,718,283
Cash and cash equivalents at the end of period	\$ 129,529,156	\$ 22,864,449	\$ -	\$ 152,393,605

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

VIRGINIA PORT AUTHORITY & VIRGINIA INTERNATIONAL TERMINALS, LLC
STATEMENT OF CASH FLOWS
For the Twelve Months Ended June 30, 2014

	Authority	Virginia International Terminals, LLC	Eliminations	Total Business-Type Activities
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income/(loss)	\$ (35,892,158)	\$ 94,388,476	\$ (75,058,836)	\$ (16,562,518)
Adjustments to reconcile earnings to net cash provided by operating activities:				
Depreciation and amortization	42,756,883	3,527,373	-	46,284,256
(Gain) loss on disposal of capital assets	-	(72,639)	-	(72,639)
Interest Income	-	(266,672)	-	(266,672)
Realized and unrealized (gain) loss on investments	-	129,381	-	129,381
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	372,207	(11,488,276)	-	(11,116,069)
(Increase) decrease in inventories	-	(231,711)	-	(231,711)
(Increase) decrease in due from VIT	6,065,098	-	(6,880,936)	(815,838)
(Increase) decrease in prepaid expenses	5,901,459	(1,557,411)	-	4,344,048
(Increase) decrease in other noncurrent assets	(57,194)	(51,442)	-	(108,636)
Increase (decrease) in accounts payable	(532,999)	7,089,498	-	6,556,499
Increase (decrease) in accrued expenses	38,892	(64,327)	-	(25,435)
Increase (decrease) in short-term liabilities	1,680,440	(271,068)	-	1,409,372
Increase (decrease) in long-term liabilities	151,284	(883,170)	-	(731,886)
Net cash provided by (used in) operating activities	\$ 20,483,912	\$ 90,248,012	\$ (81,939,772)	\$ 28,792,152

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

NOTES TO FINANCIAL STATEMENTS

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Virginia Port Authority became a separate agency in 1952 and assumed responsibility for supervising port operations. A Board of Commissioners composed of 13 members manages 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 pleasure of the Governor. The Authority's major activities are developing water transportation facilities; providing security services; maintaining ports, facilities, and services; providing public relations and domestic and international advertising; and, developing Virginia's ports through cargo solicitation and promotion throughout the world.

Virginia International Terminals, Inc. (VIT) was incorporated as a non-stock, nonprofit corporation on June 30, 1981, for the purpose of operating all the marine terminals owned by the Authority. Effective August 17, 2013, Virginia International Terminals 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 should be included in the Authority's financial statements as a blended component unit. A component unit is a legally separate organization for which the primary institution is financially accountable or closely related. VIT is audited by the independent accounting firm Witt Mares, PLC, who merged with PBGH, LLP to form PBMares, LLP as of January 1, 2013. VIT's audit report can be obtained by contacting the Director of Financial Reporting at 1431 Terminal Blvd, Norfolk, VA 23505.

The Authority is a component unit of the Commonwealth of Virginia. A separate report is prepared for the Commonwealth of Virginia, which includes all agencies, boards, commissions, and authorities meeting the component unit definition. The Authority is an integral part of the reporting entity of the Commonwealth of Virginia; accordingly, all funds of the Authority are included in the financial statements of the Commonwealth as a part of the reporting entity.

Basis of Accounting

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

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of Accounting - continued

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

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

Use of Estimates

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

Cash and Cash Equivalents

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

Investments

All investments of the Authority are reported at fair value.

Accounts Receivable Policy

Accounts receivables represent amounts due from governmental agencies and others for unreimbursed costs and amounts billed to customers for services. Management believes these amounts are fully collectible and no allowance has been recorded as of June 30, 2014.

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Capital Assets

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

Buildings	3 - 41 years
Improvements	5 - 50 years
Infrastructure	4 - 41 years
Equipment	3 - 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 eliminated from the accounts and any resulting gain or loss on such dispositions is reflected in non-operating revenues or expenses.

Interest costs associated with the construction of the Authority's capital assets are capitalized and reflected as part of the cost of the asset. Interest capitalized for the fiscal year ended June 30, 2014 was \$175,427.

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

Long-Term Obligations

Long-term obligations are reported as liabilities in the Statement of Net 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 costs recorded as deferred inflows and outflows of resources as required by GASB Statement No. 65. Bond issuance costs are expensed as incurred with the exception of bond insurance costs which are reported as other assets and amortized over the term of the related debt also in accordance with GASB Statement No. 65.

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Compensated Absences

Compensated absences represent the amounts of vacation, sick, and compensatory leave earned by employees of the Authority, but not taken at June 30, 2014. The amount reflects all earned vacation, sick, and compensatory leave and related payroll taxes, expected to be paid under the Authority's leave pay-out policy upon employment termination.

Budgets and Budgetary Accounting

The Appropriation Act as enacted by the General Assembly of Virginia established the Authority's budget for the year ended June 30, 2014. No payments can be made out of the state treasury except in pursuance of appropriations made by law.

Restricted Assets

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

Net Position

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

Operating vs. Nonoperating

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

Interest Income

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

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Recently Issued Accounting Pronouncements

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

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

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

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. These elements were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*, as a consumption and acquisition of net assets by the government that is applicable to a future reporting period. The requirements of GASBS No. 63 are effective for fiscal year 2013 and thereafter. This statement did not have a material impact on the Authority's financial statements.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, amends or supersedes the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities and requirements for the determination of major funds and addresses other statement of net position and governmental funds balance sheet presentation issues. The requirements of GASBS No. 65 are effective for fiscal year 2014 and thereafter. Implementation of this statement resulted in a \$5 million reduction in net assets on the Authority's financial statement.

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - concluded

Recently Issued Accounting Pronouncements – concluded

GASB Statement No. 66, *Technical Corrections*, improves accounting and financial reporting by state and local governmental entities by resolving conflicting guidance that resulted from the issuance of statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The requirements of GASBS No. 66 are effective for fiscal year 2014 and thereafter. This statement did not have a material impact on the Authority's financial statements.

GASB Statement No. 67, *Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25*, replaces the requirements of GASBS No. 27 *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of GASBS No. 50 *Pension Disclosures*, establishes account and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this Statement, as well as for nonemployer governments that have a legal obligation to contribute to those plans. The requirements of GASBS No. 67 are effective for fiscal year 2014. This statement did not have a material impact on the Authority's financial statements.

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

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

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

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

As of June 30, 2014, 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 \$39,287,961 in cash and cash equivalents for the Authority.

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

Statutes authorize the investment of funds held by the Authority in obligations of the Commonwealth, federal government, other states or political subdivisions thereof, Virginia political subdivisions, the International Bank for Reconstruction and Development, the Asian Development Bank, and the African Development Bank. In addition, the Authority may invest in prime quality commercial paper rated prime 1 by Moody's Investment Service or A-1 by Standard and Poor's Incorporated, overnight term or open repurchase agreements, and money market funds comprised of investments which are not rated but are otherwise legal investments of the Authority.

As of June 30, 2014, the following shows the segmented time distribution of the Authority's investments (not held by the Treasurer) and its credit risk category:

Restricted Cash Equivalents and Investments (in Years)

Investment Type	Reported Value	Market Value Less Than 1	Market Value 1 - 5	Category
FNMA	\$ 1,626,937	\$ -	\$ 1,626,937	1
FHLB	12,160,976	-	12,160,976	1
Money Market	60,326,971	60,326,971	-	3
Cash w Trustee	2,134,716	2,134,716	-	3
	<u>\$ 76,249,600</u>	<u>\$ 62,461,687</u>	<u>\$ 13,787,913</u>	

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS - continued

As of June 30, 2014 the Authority's FNMA and FHLB securities were rated Aaa by Moody's Incorporated.

Long-Term Restricted Cash Equivalents and Investments by Category

As of June 30, 2014, the following shows the distribution of the Authority's investments (not held by the Treasurer) and its credit risk category:

	Category 1 Reported Value	Category 2 Reported Value	Category 3 Reported Value	Market Value
Long-Term Investments:				
Asset-Backed Securities	\$ 13,787,913	\$ -	\$ -	\$ 13,787,913
Money Markets	-	-	60,326,971	60,326,971
Cash w Trustee	-	-	2,134,716	2,134,716
Investments Total	\$ 13,787,913	\$ -	\$ 62,461,687	\$ 76,249,600

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

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

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

Other Restricted Cash and Investments for the Authority are Held by the State Treasurer in the amount of \$1,064,475 with the Authority holding restricted cash accounts in the amount of \$4,279,806. Unrestricted cash includes Cash with the State Treasurer of \$39,287,961, unrestricted cash not with the Treasurer of \$18,457,209 and Cash Equivalents with the State Treasurer for the Securities Lending program of \$3,978,018.

Investments held by the Treasurer of Virginia

Investments held by the Treasurer of Virginia represent the Authority's allocated share of cash collateral received and reinvested and securities received for the State Treasury's securities lending program. The Commonwealth's policy is to record unrealized gains and losses in the General Fund in the Commonwealth's basic financial statements. When gains or losses are realized, the actual gains and losses are recorded by the affected agencies. Information related to the credit risk of these investments and the State Treasury's securities lending program is available on a statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS – continued

Component Unit – VIT

Virginia International Terminals, LLC's, cash and cash equivalents, restricted and investments at June 30, 2014, are categorized below by credit risk. The three types of credit risks are:

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

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

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

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Virginia International Terminals, LLC. 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.

Cash and Cash Equivalents, Restricted				
June 30, 2014	Category			Fair Value
	1	2	3	
Money Market Instruments	\$ —	\$ —	\$ 14,000,720	\$ 14,000,720
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 14,000,720</u>	<u>\$ 14,000,720</u>

Investments, Restricted				
June 30, 2014	Category			Fair Value
	1	2	3	
Municipal bonds	\$ —	\$ 729,884	\$ —	\$ 729,884
Corporate bonds	1,980,835	—	—	1,980,835
U.S. Treasury and Agency Securities	—	485,538	—	485,538
Total	<u>\$ 1,980,835</u>	<u>\$ 1,215,422</u>	<u>\$ —</u>	<u>\$ 3,196,257</u>

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS – concluded

Component Unit – VIT - concluded

On August 5, 2011, S&P Ratings Services lowered its long-term credit rating on the United States of America to AA+ from AAA. The ratings of the non-U.S. Treasury and Agency securities held at June 30, 2014 as rated by S&P are as follows:

	<u>Corporate Bonds</u>	<u>Municipal Bonds</u>	<u>Total</u>
AA+	\$ -	\$ -	\$ -
AA	607,640	-	607,640
AA-	-	-	-
A	311,325	-	311,325
A	778,958	257,568	1,036,526
A-	282,912	-	282,912
BBB	-	472,316	472,316
Not Rated	-	-	-
Total	<u>\$ 1,980,835</u>	<u>\$ 729,884</u>	<u>\$ 2,710,719</u>

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

3. CONCENTRATION OF RISK

Interest Rate Risk-VPA

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

Credit Risk-VPA

The Authority follows the Commonwealth of Virginia's credit quality limitations and places emphasis on securities of high credit quality and marketability. Policy details can be found in the **General Account Investment Guidelines** document at

<http://www.trs.virginia.gov/Documents/Cash/GenAcctInvstPolicy.pdf>

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

3. CONCENTRATION OF RISK - continued

Concentration of Credit Risk-VPA

The Authority places no limit on the amount it may invest in any one issuer. More than 3% of the Authority's investments are in FHLB and FNMA securities.

Concentration of Risk - VIT

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

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

For the years ended June 30, 2014 and 2013, approximately 28% and 26% of total revenue was derived from two customers, respectively. Receivables outstanding at June 30, 2014 and 2013 for these concentrations totaled \$14,744,347 and \$9,906,037, respectively.

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

4. PREPAID EXPENSES AND OTHER ASSETS

Authority Prepaid expenses and other assets as of June 30, 2014 include:

	2014
Prepaid Operational Costs	\$ 75,000
Prepaid Insurance	1,196
Reimbursable Expenses	600
Current Portion – Bond Insurance Cost	50,167
	<u>\$ 126,963</u>

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

4. PREPAID EXPENSES AND OTHER ASSETS - concluded

Component Unit – VIT

VIT Prepaid expenses and other assets as of June 30, 2014 include:

	2014
Prepaid Expenses	\$ 5,218,356
Deposits	363,500
	<u>\$ 5,581,856</u>

5. CHANGES IN CAPITAL ASSETS

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

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets not being depreciated:				
Land and improvements	\$ 105,727,987	\$ -	\$ -	\$ 105,727,987
Construction in progress	109,246,220	7,623,409	7,959,012	108,910,617
	<u>214,974,207</u>	<u>7,623,409</u>	<u>7,959,012</u>	<u>214,638,604</u>
Depreciable capital assets:				
Infrastructure	589,832,190	1,030,358	-	590,862,548
Buildings	95,282,031	-	213,397	95,068,634
Improvements other than buildings	30,657,781	2,091,209	1,773,630	30,975,360
Equipment	280,120,829	6,967,329	513,486	286,574,672
	<u>995,892,831</u>	<u>10,088,896</u>	<u>2,500,513</u>	<u>1,003,481,214</u>
Less accumulated depreciation for:				
Infrastructure	214,253,713	18,214,523	-	232,468,236
Buildings	56,502,429	2,875,055	213,397	59,164,087
Improvements other than buildings	23,762,428	1,223,062	1,773,630	23,211,860
Equipment	141,646,442	20,387,048	513,486	161,520,004
Total accumulated depreciation	<u>436,165,012</u>	<u>42,699,688</u>	<u>2,500,513</u>	<u>476,364,187</u>
Depreciable capital assets, net	<u>559,727,819</u>	<u>(32,610,792)</u>	<u>-</u>	<u>527,117,027</u>
Total capital assets, net	<u>\$ 774,702,026</u>	<u>\$(24,987,383)</u>	<u>\$ 7,959,012</u>	<u>\$ 741,755,631</u>

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

5. CHANGES IN CAPITAL ASSETS - concluded

Insurance Proceeds

In fiscal year 2014, proceeds from insurance amounted to \$3,004 for the Virginia Port Authority, none of which was attributable to impairment of assets.

Component Unit – VIT

Changes in capital assets for the year ended June 30, 2014 are summarized as follows:

	Balance <u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2014</u>
Capital assets	\$ 79,993,489	\$ 4,848,953	\$ 1,841,126	\$ 83,001,316
Accumulated depreciation	<u>62,764,868</u>	<u>3,554,795</u>	<u>1,811,052</u>	<u>64,508,611</u>
Net Capital assets	<u>\$ 17,228,621</u>	<u>\$ 1,294,158</u>	<u>\$ 30,074</u>	<u>\$ 18,492,705</u>

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

6. LONG-TERM DEBT

Changes in Long-Term Indebtedness

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

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014	Amounts Due Within one Year
Revenue Bonds	\$ 500,615,000	\$ 37,945,000	\$ 53,815,000	\$ 484,745,000	\$ 14,840,000
Issuance Premium	11,530,728	-	1,402,479	10,128,249	643,087
Total Revenue Bonds	512,145,728	37,945,000	55,217,479	494,873,249	15,483,087
Installment Purchases	43,427,551	-	10,137,377	33,290,174	9,499,327
Compensated Absences	505,452	626,804	629,743	502,513	495,588
Total	<u>\$ 556,078,731</u>	<u>\$ 38,571,804</u>	<u>\$ 65,984,599</u>	<u>\$ 528,665,936</u>	<u>\$ 25,478,002</u>

Details of Long-Term Indebtedness

Revenue Bonds

Balance as of
June 30, 2014

On June 26, 2003, Port Facilities Fund Revenue Bonds, dated June 18, 2003, were issued in the principal amount of \$55,155,000. On October 22, 2013, funds were placed in escrow, with irrevocable instructions to refund \$29,390,000 of the bonds maturing from 2014 through 2028. The remaining bonds are payable in annual installments varying from \$2,795,000 to \$3,335,000 with interest of 4.5% payable semiannually, the final installment due July 1, 2033. These bonds are payable from the net revenues of the Authority.

\$15,295,000

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

6. LONG-TERM DEBT - Continued

Details of Long-Term Indebtedness - continued

Balance as of
June 30, 2014

On April 14, 2005, Commonwealth Port Fund Revenue Bonds, dated April 6, 2005, were issued in the principal amounts of \$55,095,000 (AMT bonds) and \$4,905,000 (non-AMT bonds). On September 26, 2012, funds were placed in escrow, with irrevocable instructions to refund on July 1, 2015, \$39,470,000 of AMT bonds maturing in 2016 and beyond and \$4,905,000 of Non-AMT bonds maturing in 2029 and 2030. The remaining AMT serial bonds are payable in annual installments varying from \$1,750,000 to \$1,930,000 with interest of 5.0% to 5.25% payable semiannually, the final installment due July 1, 2015. These bonds are payable primarily from the Commonwealth Port Fund. Such revenues currently consist of a portion of the additional revenues derived from certain increases in motor vehicle fuel taxes, sales and use taxes, and annual motor vehicle registration fees.

3,770,000

On April 6, 2006, Commonwealth Port Fund Refunding Bonds, dated the same, were issued in the principal amount of \$21,730,000. The bonds are payable in annual installments varying from \$1,365,000 to \$2,885,000 with interest of 5.00% to 5.50% payable semiannually, the final installment due July 1, 2016. These bonds are payable primarily from the Commonwealth Port Fund. Such revenues currently consist of a portion of the additional revenues derived from certain increases in motor vehicle fuel taxes, sales and use taxes, and annual motor vehicle registration fees.

6,985,000

On October 17, 2006 Port Facilities Fund Revenue Bonds, dated the same, were issued in the principal amount of \$90,000,000. On October 22, 2013, funds were placed in escrow, with irrevocable instructions to refund \$8,700,000 of the bonds maturing from 2014 through 2028. The remaining bonds are payable in annual installments varying from \$7,355,000 to \$14,115,000 with interest of 4.75% and 5.0% payable semiannually, the final installment due July 1, 2036. These bonds are payable from the net revenues of the Authority.

80,820,000

On April 11, 2007, Port Facilities Fund Revenue Bonds, dated the same, were issued in the principal amount of \$74,255,000. The bonds are payable in annual installments varying from \$3,210,000 to \$6,040,000 with interest of 4.00% to 5.00% payable semiannually, the final installment due July 1, 2027. The bonds are payable from the net revenues of the Authority.

62,825,000

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

6. LONG-TERM DEBT - Continued

Balance as of
June 30, 2014

Details of Long-Term Indebtedness - continued

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 5.00% payable semiannually, the final installment due July 1, 2040. The bonds are payable from the net revenues of the Authority. Proceeds of the Series 2010 Bonds have been used, together with other funds, (a) to currently refund in full the outstanding principal amount of the Authority's \$65,000,000 Subordinate Port Facilities Revenue Bond Anticipation Note, Series 2009 (the "Series 2009 BAN"), (b) to fund a Debt Service Reserve Account for the Series 2010 Bonds as required under the Resolution, and (c) to pay all or a portion of the expenses incurred with respect to the issuance of the Series 2010 Bonds and the refunding of the Series 2009 BAN.

68,630,000

On July 27, 2011, Commonwealth Port Fund Revenue Bonds Series 2011 (Non-AMT), (the "Series 2011 Bonds"), dated the same, were issued in the principal amount of \$57,370,000. The bonds are payable in annual installments varying from \$2,565,000 to \$9,250,000 beginning July 1, 2028. Semi-annual interest payments commence January 1, 2012 with interest of 5.00% payable semiannually, the final installment due July 1, 2036. These bonds are payable primarily from the Commonwealth Port Fund. Such revenues currently consist of a portion of the additional revenues derived from certain increases in motor vehicle fuel taxes, sales and use taxes, and annual motor vehicle registration fees. Proceeds of the Series 2011 Bonds have been used to finance or refinance the costs of the Craney Island Eastward Expansion (the "2011 Project") and to pay costs of issuance.

57,370,000

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

6. LONG-TERM DEBT - Continued

Balance as of
June 30, 2014

Details of Long-Term Indebtedness - continued

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 \$6,345,000 to \$8,730,000 beginning July 1, 2013. Semi-annual interest payments commence January 1, 2012 with interest ranging from .0744% to 3.72% payable semiannually, the final installment due July 1, 2027. Proceeds of the Series 2012 Bonds have been used to (a) to currently refund in full the outstanding principal amount of the Authority's Commonwealth Port Fund Revenue Bonds (2002 Resolution) (the "Series 2002") issued on July 23, 2002, and (b) to pay all or a portion of the expenses incurred with respect to the issuance of the Series 2012 Bonds and the refunding of the Series 2002 Bonds. The Series 2012 Bonds are payable primarily from the Commonwealth Port Fund. Such revenues currently consist of a portion of the additional revenues derived from certain increases in motor vehicle fuel taxes, sales and use taxes, and annual motor vehicle registration fees.

101,715,000

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 \$710,000 to \$3,630,000 with interest of 0.38% to 3.676% payable semiannually, beginning July 1, 2013, the final installment due July 1, 2029. Proceeds of the Series 2012B Bonds will be used (a) to pay the costs of refunding all or a portion of the Series 2005A Bonds, and (b) to pay costs of issuance of the Series 2012B Bonds. The Series 2005A Bonds were issued on April 14, 2005. As of July 1, 2012, the outstanding principal amount of the Series 2005A Bonds was \$44,990,000. The Series 2005A Bonds are subject to optional redemption on or after July 1, 2015 at a redemption price of 100% of the principal amount thereof. The Series 2012B Bonds are payable primarily from the Commonwealth Port Fund. Such revenues currently consist of a portion of the additional revenues derived from certain increases in motor vehicle fuel taxes, sales and use taxes, and annual motor vehicle registration fees.

44,595,000

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

6. LONG-TERM DEBT - Continued

Balance as of
June 30, 2014

Details of Long-Term Indebtedness - concluded

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

4,795,000

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 the principal annual installments varying from \$610,000 and \$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 will be used (a) to pay the costs of refunding all or a portion of the Series 2003 Bonds, (b) to pay the cost of refunding all or 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

Sub-total revenue bonds
Issuance premium, net
Total revenue bonds

\$ 484,745,000
10,128,249
\$ 494,873,249

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

6. LONG-TERM DEBT – continued

Balance as of
June 30, 2014

Installment Purchases

A contract dated July 9, 2004 for the lease purchase of terminal equipment totaling \$2,776,800 with initial payment of \$166,433 and semi-annual payments of \$169,172 for a period of ten years at an interest rate of 3.9185%.	165,080
A contract dated July 9, 2004 for the lease purchase of terminal equipment totaling \$11,500,000 with initial payment of \$522,958 and semi-annual payments of \$536,365 for a period of fifteen years at an interest rate of 4.6387%.	5,127,982
A contract dated January 6, 2005 for the lease purchase of terminal equipment totaling \$23,170,930 with semi-annual payments of \$1,386,681 for a period of ten years at an interest rate of 3.563%.	2,689,050
A contract dated August 18, 2005 for the lease purchase of terminal equipment totaling \$4,663,170 with semi-annual payments of \$279,607 for a period of ten years at an interest rate of 3.69%.	804,184
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%.	654,557
A contract dated February 6, 2008 for the lease purchase of terminal equipment totaling \$6,982,922 with semi-annual payments of \$406,768 for a period of ten years at an interest rate of 3.06%.	3,031,053
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%.	12,955,648
A contract dated January 5, 2009 for the lease purchase of terminal equipment totaling \$345,560 with payments beginning September 2009 at \$26,354 and continuing with semi-annual payments each March and September of \$26,010 for a period of seven years at an interest rate of 1.38%.	102,268

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

6. LONG-TERM DEBT – continued

Balance as of
June 30, 2014

Installment Purchases - concluded

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%.

4,319,501

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%.

3,440,851

Total installment purchases

\$ 33,290,174

Compensated Absences

Balance as of
June 30, 2014

VPA's salaried employees' attendance and leave regulations make provision for the granting of a specified number of days of leave each year. The amount of leave earned but not taken is recorded as a liability on the Statement of Net Position. At June 30, 2014 the amounts reflect all earned "paid time off" and compensatory leave not taken, and the amount payable under the Authority's sick leave pay-out policy upon termination, the latter which is the lesser of 25 % of sick leave not taken or \$5,000 per employee for employees hired prior to July 1, 1997. The compensated absence liability also includes related payroll taxes.

502,513

Total long-term indebtedness

\$ 528,665,936

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

6. LONG-TERM DEBT – continued

Annual Long-Term Debt Requirements

A summary of future principal and interest obligations under long-term debt as of June 30, 2014 (excluding compensated absences), is as follows:

Revenue Bonds

Year Ending June 30,	Principal	Interest	Total
2015	\$14,840,000	\$19,570,469	\$34,410,469
2016	15,295,000	19,087,459	34,382,459
2017	16,240,000	18,605,825	34,845,825
2018	16,770,000	18,135,608	34,905,608
2019	17,260,000	17,642,330	34,902,330
2020 - 2024	95,015,000	79,069,808	174,084,808
2025 – 2029	107,925,000	59,720,268	167,645,268
2030 - 2034	106,685,000	37,217,722	143,902,722
2035 - 2039	85,750,000	9,820,000	95,570,000
2040 - 2044	8,965,000	453,625	9,418,625
Total Bonds	<u>\$484,745,000</u>	<u>\$279,323,114</u>	<u>\$764,068,114</u>
Issuance Premium	\$10,128,249	-	\$10,128,249
Total	<u><u>\$494,873,249</u></u>	<u><u>\$279,323,114</u></u>	<u><u>\$774,196,363</u></u>

Installment Purchases

Year Ending June 30,	Principal	Interest	Total
2015	\$9,499,327	\$595,593	\$10,094,920
2016	6,498,746	433,519	6,932,265
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 - 2024	493,644	5,751	499,395
Total	<u><u>\$33,290,174</u></u>	<u><u>\$1,604,939</u></u>	<u><u>\$34,895,113</u></u>

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

6. LONG-TERM DEBT – concluded

Component Unit – VIT

VIT permits employees to accumulate unused personal leave and up to 25 days of vacation leave benefits that can be utilized in future periods or partially paid upon separation from employment. VIT has recorded a liability of \$3,745,101 at June 30, 2014 to the extent of the benefits that are payable. VIT is also contingently liable for personal and vacation leave of \$4,799,013 at June 30, 2014 representing amounts employees could use during their period of employment.

7. DEFEASANCE OF DEBT

Advanced Refundings

On October 22, 2013 the Authority issued \$37,945,000 (par value) of Port Facilities Revenue Refunding Bonds, Series 2013 to advance refund all but \$15,295,000 in principal amount of the Authority's Port Facilities Fund, Series 2003 and \$80,820,000 in principal amount of the Authority's Port Facilities Fund, Series 2006 Bonds issued in the original par amounts of \$55,155,000 and \$90,000,000 respectively. The net proceeds from the issuance, along with other funds available from the Authority, were deposited in an irrevocable trust with an escrow agent to provide debt service payments at the earliest call date. At June 30, 2014, none 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 \$5,315,809, 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 \$5,071,004. The trust account assets and the related liability for the defeased bonds are not reflected in the Authority's financial statements.

Prior Years Refundings

On September 26, 2012, the Authority issued \$45,230,000 (par value) of Commonwealth Port Fund Revenue Refunding Bonds, Series 2012B (AMT) to advance refund all but \$5,520,000 in principal amount of the Authority's Commonwealth Port Fund, Series 2005A (AMT) Bonds issued in the original par amount of \$55,095,000. The net proceeds from the issuance, along with other funds available from the Authority, were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are called on July 1, 2015. At June 30, 2014, \$39,470,000 of defeased bonds were outstanding.

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

7. DEFEASANCE OF DEBT – concluded

Prior Years Refundings-concluded

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

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

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

8. RENT OF TERMINAL FACILITIES AND EQUIPMENT

Virginia International Terminals, LLC. (VIT) was incorporated as a nonprofit corporation on June 30, 1981, for the purpose of operating all marine terminals owned by the Authority. Effective August 17, 2013, VIT has converted from a nonprofit, non-stock corporation to a single-member limited liability company with VPA as the sole member of the Company. Lease agreements with Port Authority Terminals, Inc., and Portsmouth Terminals, Inc., to operate Newport News Marine Terminal, Norfolk International Terminals, and Portsmouth Marine Terminal, respectively, were assigned to VIT. As of July 6, 2010, VIT also operates APM Terminals, a terminal leased by the Virginia Port Authority, in Portsmouth Virginia.

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

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

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

9. COMMITMENTS AND CONTINGENCIES

As of June 30, 2014 the Authority has commitments to construction contracts totaling \$73,456,725 of which \$63,084,791 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 \$734,885 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 \$52,479,613 in fiscal year 2014.

Lease commitments in aggregate are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 56,303,901
2016	58,596,275
2017	61,360,772
2018	64,183,082
2019	67,116,178
2020-2024	386,552,791
2025-2029	490,967,130
2030-2034	113,266,018
Total	<u><u>\$ 1,298,346,147</u></u>

The Authority has various rental and sub-lease agreements ranging from one to twenty years. Rental and sub-lease income received under these agreements totaled \$50,645 during the year ended June 30, 2014. Future payments to be received under these agreements are expected to be \$262,310 in 2015.

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

9. COMMITMENTS AND CONTINGENCIES – continued

Component Unit – VIT Leases

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

Applicable lease commitments in the aggregate are as follows:

2015	\$ 1,940,491
2016	1,244,030
2017	1,001,818
2018	1,026,041
2019	1,050,851
Thereafter	<u>9,581,977</u>
	<u>\$ 15,845,208</u>

Rental expense incurred under all operating leases (including less than one year and cancellable) was \$2,556,367 for the year ended June 30, 2014. Rental expense incurred is net of rents paid on behalf of the VPA which were recorded as a transfer to the VPA totaling \$734,885 in 2014.

Hampton Roads Chassis Pool II (HRCPII), is a wholly owned subsidiary of VIT that operates the chassis pool for the shipping lines. HRCPII leases chassis under various operating lease agreements. The agreements may be renewed in one year increments or terminated at the end of each term. HRCPII must maintain and repair chassis delivered to the pool. Rent expense under the operating leases totaled \$1,992,854 during the year ended June 30, 2014 and is included in maintenance expenses.

VIT has various rental and sub-lease agreements ranging from one to three years. Rental and sub-lease income received under these agreements totaled \$2,943,045 during the year ended June 30, 2014. Future payments to be received under these agreements are expected to be \$535,322 in 2015.

Escrow funds

On April 23, 2003 the Authority, acting as agent for the Commonwealth, signed a Project Cooperation Agreement (PCA) with the Department of the Army for dredging the inbound channel of the Norfolk Harbor, and related channels, to a depth of 50 feet. In connection with the PCA, the Authority received \$17.475 million from the Priority Transportation Fund of the Commonwealth as matching funds required under the PCA. The matching funds were invested in a short-term government security and a money market account in the name of the Authority. However, the Department of the Army has the sole and unrestricted right to draw upon all or any part of the principal funds deposited in the escrow account. As of June 30, 2014, the escrow account balance was \$101,554.

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

9. COMMITMENTS AND CONTINGENCIES - continued

Federal Grants

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

MOU

On October 25, 2011, the Authority entered into a Memorandum of Understanding (MOU) with the Virginia Department of Transportation obligating a portion of the Authority's Transportation Trust Fund Allocation (TTF) to fund a portion of the US Route 460 Corridor Improvements Project (the Project). On an annual basis, the Authority will provide a minimum of 0.5 percent of the Transportation Trust Fund allocation to fund a portion of the Project construction costs incurred by the Virginia Department of Transportation and/or ongoing operational and maintenance costs. Payments are expected to begin no earlier than July 1, 2013 and will continue for the life of any related Public-Private Transportation Act (PPTA) concession term for the project, or 90 years if no concession is awarded. In the event the Authority elects to provide contributions of \$250 million for Project construction costs by June 30, 2022, the Authority shall have no further obligation to provide any other funding under the terms of the MOU. An amendment to the MOU was signed in June, 2014 stating that contributions would not begin earlier than July 1, 2015.

Imposed Non Exchange Transaction

The Authority, through a Joint Memorandum of Agreement, received \$1.9 million in fiscal year 2009 as a mitigation payment from Virginia Natural Gas to fund Army Corps of Engineers approved enhancements to Anchorage K or future dredging and navigation activities associated with the provision of a deeper anchorage area in the waters that are contiguous to the area known as Hampton Roads. As of June 30, 2014, \$2,033,162 remains in the account, having earned \$133,161 in interest through June 30, 2014.

Lawsuits and Claims

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

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

9. COMMITMENTS AND CONTINGENCIES – concluded

Other Noncurrent Liabilities

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

Component Unit – VIT

VIT is a defendant in various lawsuits generally incidental to its business. It is management's opinion that the financial position of the Company will not be materially affected by the ultimate resolution of litigation pending or threatened at June 30, 2014.

At June 30, 2014, VIT has 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 29, 2015. At June 30, 2014, there were no borrowings outstanding.

10. PENSION PLANS

Pensions

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

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

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

10. PENSION PLANS - continued

Pensions - concluded

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

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

In 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.

Funding Policy

As the plan sponsor for the VPA Defined Benefit Plan, the Authority sets a contribution rate annually based on recommendations provided by the plan's Actuary. The Authority elected to contribute 15.33% of base pay in 2014, 16.16% of base pay in 2013, and 11.92% of base pay in 2012 for employees receiving the basic retirement benefit from the plan. The plan does not specify a minimum funding requirement.

The following table illustrates the funding progress required by GASB.

	June 30, 2014	June 30, 2013
Interest Rate	7.5%	7.5%
Covered Payroll	\$ 5,707,279	\$ 5,161,935
Assets	\$ 10,185,454	\$ 9,255,459
Accrued Liability as of the Fiscal Year End		
Active	\$ 5,983,875	\$ 5,276,521
Inactive	\$ 7,499,786	\$ 7,688,251
Total	\$ 13,483,661	\$ 12,964,772
Unfunded Actuarial Accrued Liability	\$ 3,298,207	\$ 3,709,303
Funded Ratio	75.54%	71.39%
Unfunded as a Percent of Covered Payroll	57.79%	71.86%

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

10. PENSION PLANS - continued

Funding Policy-concluded

The components of annual pension cost and net pension obligation are as follows for the years ending June 30, 2014 and June 30, 2013:

	<u>2014</u>	<u>2013</u>
Normal Cost	\$791,325	\$884,733
Amortization of Unfunded Accrued Liability	-	-
Interest	59,349	66,355
Annual Required Contribution(ARC)	<u>\$850,674</u>	<u>\$951,088</u>
Interest on Net Pension Obligation(NPO)	(189,896)	(164,432)
Amortization of NPO	<u>265,711</u>	<u>232,017</u>
Annual Pension Cost (APC)	926,489	1,018,673
Actual (Contribution)/Income toward Pension cost	<u>(525,696)</u>	<u>(1,358,196)</u>
Increase (Decrease) Net Pension Obligation (NPO)	400,793	(339,523)
NPO, beginning of year	<u>(2,531,945)</u>	<u>(2,192,422)</u>
NPO (prepayment), end of year	<u><u>(\$2,131,152)</u></u>	<u><u>(\$2,531,945)</u></u>

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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Interest Rate	7.50%	7.50%
Annual Pension Cost (APC)		
Annual Required Contribution of Employer (ARC)	\$ 850,674	\$ 951,088
Amortization of NPO	265,711	232,017
Interest on NPO	<u>(189,896)</u>	<u>(164,432)</u>
Total APC	926,489	1,018,673
End of Year Net Pension Obligation (NPO)		
Actual Beginning of Year NPO	(2,531,945)	(2,192,422)
Plus Actual APC	926,489	1,018,673
Minus Contributions	<u>(525,696)</u>	<u>(1,358,196)</u>
End of Year NPO	<u><u>\$ (2,131,152)</u></u>	<u><u>\$(2,531,945)</u></u>

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

10. PENSION PLANS - continued

Actuarial Methods and Assumptions

The annual pension cost for the current year was determined as part of the July 2014 actuarial valuation using the aggregate actuarial cost method, which does not identify and separately amortize unfunded actuarial liabilities, because of this, information about the funded status and funding progress is presented using the entry age actuarial cost method. The information presented is intended to serve as a surrogate for the funded status and funding progress of the plan. Actual value of assets was determined using market value. The discount rate used in determining the actuarial liability was based on a 7.5% discount rate and a 4.0% future compensation level was used for future years.

Funded Status

The following table sets forth the plan's funded status and the related amounts recorded in the Authority's balance sheets at June 30, 2014, 2013 and 2012.

Fiscal Year Ended	Annual Pension Cost (APC)	Contribution	Percentage of APC Contributed	Net Pension Obligation (Prepaid)
6/30/14	\$926,489	\$525,696	57%	(\$2,131,152)
6/30/13	\$1,018,673	\$1,358,196	133%	(\$2,531,945)
6/30/12	\$1,118,786	\$1,523,156	136%	(\$2,192,422)

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

Actuarial Valuation Date	Actuarial Assets	Accrued Actuarial Liability	Unfunded Actuarial Liability	Fund Ratio	Annual Covered Payroll	Unfunded Actuarial Liability to Annual Covered Payroll
06/30/14	\$10,185,454	\$13,483,661	\$3,298,207	75.54%	\$5,707,279	57.79%
06/30/13	\$9,255,469	\$12,964,772	\$3,709,303	71.39%	\$5,161,935	71.86%
06/30/12	\$7,561,096	\$11,813,238	\$4,252,142	64.01%	\$5,474,834	77.67%
06/30/11	\$7,529,820	\$9,702,241	\$2,172,421	77.61%	\$7,266,223	29.90%
06/30/10	\$5,152,924	\$8,556,989	\$3,404,065	60.22%	\$7,302,177	46.62%
06/30/09	\$4,206,867	\$7,633,409	\$3,426,542	55.11%	\$7,452,049	45.98%

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

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

10. PENSION PLANS- continued

Funded Status - concluded

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

The VPA Deferred Compensation Plan covers all employees hired after July 1, 1997, and those employees electing coverage under the Authority's deferred compensation plan. The Matching Savings Plan covers substantially all employees. The Matching Savings Plan requires VPA to match contributions in an amount equal to 50% of the first 6% of the participant's base pay contributed to the plan. VPA's total contribution to the Matching Savings Plan was \$113,878 and \$109,907 for the years ended June 30, 2014 and June 30, 2013, respectively.

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, 2014 was \$6,921 for the Defined Contribution and \$3,461 for the Enhanced Participant Employer Matching Contribution.

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.

Component Unit – VIT

The VIT Pension Plan is a single employer, noncontributory defined benefit pension plan administered by VIT. The Plan provides retirement, disability, and death benefits to plan members and beneficiaries. Benefit provisions and obligations are established and may be amended by the Plan Administrator. The plan issues a stand-alone financial report. The plan changed its basis of reporting at June 30, 2014. See the related Note on Change in Accounting Principle for a detailed description of this change on the consolidated financial statements.

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

10. PENSION PLANS- continued

Component Unit – VIT-continued

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Net Prepaid pension obligation, beginning of year	\$ (8,300,503)	\$ (3,872,544)	\$ (4,543,173)
Annual pension cost	2,466,385	2,607,041	3,253,892
Contributions made	<u>(3,000,000)</u>	<u>(7,035,000)</u>	<u>(2,583,263)</u>
Net (Prepaid) pension obligation, end of year	<u><u>\$ (8,834,118)</u></u>	<u><u>\$ (8,300,503)</u></u>	<u><u>\$ (3,872,544)</u></u>

Actuarial Methods and Assumptions

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

Funding Policy

VIT's funding policy is to make annual contributions to the Plan in amounts that are necessary to comply with the applicable law and regulations, such that all employees' benefits will be fully provided for by the time they retire. Although it has not expressed any intention to do so, VIT has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions set forth in ERISA. The Company expects to contribute \$1,500,000 to its pension plan during fiscal year ending June 30, 2015.

The following tables set forth the plan's funded status and the related amounts recorded in the Company's balance sheets at June 30, 2014, 2013 and 2012.

Three Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Accrued (Prepaid) Pension Obligation</u>
6/30/2014	\$2,466,385	122%	\$(8,834,118)
6/30/2013	\$2,607,041	270%	\$(8,300,503)
6/30/2012	\$3,253,892	255%	\$(3,872,544)

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

10. PENSION PLANS - concluded

Component Unit – VIT – concluded

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

Actuarial Valuation Date	Fair Market Value of Plan Assets	Projected Benefit Obligation	Funded Status	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Liability to Annual Covered Payroll
6/30/2014	\$80,640,693	\$92,954,125	\$(12,313,432)	86.75%	\$25,708,869	47.90%

Information regarding the two preceding valuations was unavailable due to the change in accounting principle.

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

VIT also sponsors noncontributory supplemental plans covering certain key employees. Assets of \$2,699,587 in 2014 have been allocated for future benefit payments under the provisions of the supplemental plans. The accrued liability was \$3,020,974 as of June 30, 2014. There were no contributions to the plans for the year ended June 30, 2014.

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 \$287,325 for the year ended June 30, 2014.

11. OTHER POST RETIREMENT EMPLOYEE BENEFITS

The Virginia Port Authority offers post-retirement medical and dental benefits to Authority employees who retire under either VRS or the VPA pension plan. Employees who maintain status under VRS are covered under the state health care plan administered by VRS. Information relating to this plan is available at the statewide level only in the Commonwealth of Virginia's Comprehensive Annual Financial Report (CAFR). For employees and their spouses, who are participants in the VPA medical plan (not participants under the state health care plan under VRS), benefit provisions and obligations are established and may be amended by the Board of Commissioners of the Authority. Under the VPA medical plan, eligible retirees, spouses and surviving spouses ("Retirees") are permitted to participate with active employees in the VPA group health care plan.

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

11. OTHER POST RETIREMENT EMPLOYEE BENEFITS - continued

Retirees, must pay all premiums (100%) assigned to them as determined by the group rate designations as supplied to the Authority by the health care insurance provider. Medicare-eligible employees have post-retirement health care coverage provided through a separate plan known as “Advantage 65” which is priced to be fully supported by retiree contributions.

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

Actuarial Methods and Assumptions

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

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

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

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

The Authority’s OPEB actuarial valuation dated July 1, 2014 for fiscal years 2014 and 2015 used the entry age normal cost actuarial method to estimate the unfunded actuarial liability and to determine the annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4.0% rate of return on invested assets, which is the Authority’s long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4.0% per year, and an annual healthcare cost trend rate of 8.5% initially for fiscal year 2014, reduced to an ultimate rate of 5.5% for the fiscal year ending June 30, 2020. The dental cost trend rate is 6.5% for fiscal year ended June 30, 2014 grading to 4.5% for fiscal year ending June 30, 2018. The unfunded actuarial accrued liability and gains/losses are being amortized as a level percentage of projected payroll on a closed basis over 30 years. General inflation is 2.5%.

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

11. OTHER POST RETIREMENT EMPLOYEE BENEFITS – continued

Funding Policy

The Authority has not advanced-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. For the 2013-2014 fiscal years, retirees and eligible dependents received postemployment health care benefits. The Port Authority paid \$190,906 comprised of benefit payments made on behalf of retirees for claims expenses and retention costs. After netting out retiree contributions totaling \$107,223 the contribution/ (income) towards the annual OPEB costs was \$83,683 for fiscal year 2014. Required contributions are based on projected pay-as-you-go financing. Fiscal year 2015 estimates projected \$378,870 in benefit payments on behalf of retirees for claims expenses and retention costs with \$108,643 in estimated premiums from retirees for a total contribution towards OPEB costs of \$270,227.

Annual OPEB Cost and Net OPEB Obligation

The following table shows the Port Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Port Authority's net OPEB obligation for fiscal year 2013 and for fiscal year 2014:

	Fiscal Year Ending	
	June 30, 2014	June 30, 2013
(1)Normal Cost	\$12,904	\$12,408
(2)Amortization of Unfunded Accrued Liability	\$51,664	\$49,111
(3)Interest	\$2,583	\$2,461
(4)Annual Required Contribution	\$67,151	\$63,980
(5)Interest on Net OPEB Obligation (NOO)	\$8,414	\$7,415
(6)Amortization of NOO	(\$7,512)	(\$6,621)
(7)Total Expense or Annual OPEB Cost (AOC)	\$68,053	\$64,774
(8)Actual (Contribution)/Income Toward OPEB Cost	(83,683)	(39,821)
(9)Increase in NOO	(15,627)	24,953
(10) NOO Beginning of Year	\$210,339	\$185,386
(11) NOO End of Year	\$194,709	\$210,339

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

11. OTHER POST RETIREMENT EMPLOYEE BENEFITS - continued

Annual OPEB Cost and Net OPEB Obligation - continued

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

Fiscal Year	AOC	Contribution	Percent of	NOO
			AOC Contributed	
06/30/2014	\$68,053	\$83,683	123.0%	\$194,709
6/30/2013	\$64,774	\$39,821	61.5%	\$210,339
06/30/2012	\$45,670	\$19,040	41.7%	\$185,386
06/30/2011	\$43,242	(\$2,168)	(5.0%)	\$158,756
06/30/2010	\$44,628	\$16,361	36.7%	\$113,346
06/30/2009	\$34,167	(\$7,398)	(21.7%)	\$85,079

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

		Fiscal Year Ending	
		June 30, 2014	June 30, 2013
(1)	Interest Rate	4.0%	4.0%
(2)	Annual OPEB Cost (AOC)		
(a)	Annual Required Contribution of Employer (ARC)	\$67,151	\$63,980
(b)	Less Amortization of NOO	7,512	6,621
(c)	Plus Interest on NOO	8,414	7,415
(d)	Total AOC	68,053	64,774
(3)	End of Year Net OPEB Obligation (NOO)		
(a)	Actual Beginning of Year NOO	210,339	185,386
(b)	Plus Actual AOC	68,053	64,774
(c)	Minus Contributions	83,683	39,821
(d)	End of Year NOO	\$194,709	\$210,339

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

11. OTHER POST RETIREMENT EMPLOYEE BENEFITS - continued

Funded Status and Funding Progress

As of June 30, 2014, the actuarial accrued liability for benefits was \$820,172, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$820,172. The covered payroll (annual payroll for active participating employees) was \$6,088,610 for the 2013-14 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 13.5%.

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

	Fiscal Year Ending	
	June 30, 2014	June 30, 2013
(1) Interest Rate	4.0%	4.0%
(2) Covered Payroll	\$6,088,610	\$6,875,817
(3) Assets	0	0
(4) Accrued Liability as of the Fiscal Year End based on prior years valuation data		
(a) Active	95,928	104,065
(b) Inactive	724,244	1,241,659
(c) Total	820,172	1,345,724
(5) Unfunded Actuarial Accrued Liability	\$820,172	\$1,345,724
(6) Funded Ratio	0.0%	0.0%
(7) Unfunded as a Percent of Covered Payroll	13.5%	19.6%

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

11. OTHER POST RETIREMENT EMPLOYEE BENEFITS - concluded

Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Assets	Accrued Actuarial Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Liability to Annual Covered Payroll
06/30/2014	0	\$820,172	\$820,172	-	\$6,088,610	13.5%
6/30/2013	0	\$1,345,724	\$1,345,724	-	\$6,875,817	19.6%
06/30/2012	0	\$1,320,613	\$1,320,613	-	\$8,354,829	15.8%
06/30/2011	0	\$321,282	\$321,282	-	\$8,301,582	3.9%
06/30/2010	0	\$339,978	\$339,978	-	\$8,113,550	4.2%

Actuarial valuations are required at least biennially for OPEB plans with a total membership of 200 or more. The latest actuarial report on the VPA Postemployment Health Care Plan dated August 8, 2014 with a valuation dated of July 1, 2014, may be obtained by contacting the Finance Department of the Authority.

Component Unit – VIT

VIT sponsors a non-pension post-retirement medical insurance benefits plan that covers individuals who are at least 55 years of age with 20 years of service. The accrued liability of the plan was \$1,343,674 for the year ended June 30, 2014. The funded status of the plan was (\$2,965,915) as of June 30, 2014. Contributions to the plan were \$406,406 as of June 30, 2014. The significant actuarial assumptions used in the valuations were (a) discount rate for net periodic postretirement benefit cost (4.00%), (b) payroll growth rate (3.50%), (c) rate of increase in medical claims cost at the valuation date (7.50%), and (d) period over which accrued actuarial liabilities are amortized (30 years).

12. TERMINATION BENEFITS

Early Retirement Incentive

On September 27, 2011, the Board of Commissioners for the Virginia Port Authority adopted Resolution 11-10 and the Eleventh Amendment to the Pension Plan, approving an immediate retirement incentive window, to offer a one-time incentive to allow participants aged 55 or older with at least 5 years of creditable service or at least 50 years of age with 10 years of

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

12. TERMINATION BENEFITS - concluded

Early Retirement Incentive - concluded

more of creditable service or Law Enforcement eligible employees aged 50 or older with at least 5 years of creditable service to receive up to three years of credited service—not to exceed what would have been earned at age 65—in exchange for termination of their employment. ERI eligible employees were offered an option to receive a portion as a lump sum benefit in addition to being offered health insurance at the employee rate for the lesser of 3 years or until age 65. Thirty-one (31) participants elected to accept this offer, resulting in additional pension expense of \$2,011,422 and additional health care expense of \$384,048. Pension expense has been included in the annual pension cost disclosed in Footnote 10. As of June 30, 2014, there remains an accrued liability for health care of \$111,134.

On May 28, 2013, the Board of Commissioners for the Virginia Port Authority adopted Resolution 13-8 , approving an immediate retirement incentive window, to offer a one-time incentive to allow participants aged 55 or older with at least 5 years of creditable service or at least 50 years of age with 10 years of more of creditable service or Law Enforcement eligible employees aged 50 or older with at least 5 years of creditable service to receive up to three years of credited service—not to exceed what would have been earned at age 65—in exchange for termination of their employment. ERI eligible employees were offered an option to receive a portion as a lump sum benefit in addition to being offered health insurance at the employee rate for the lesser of 3 years or until age 65. Four (4) participants elected to accept this offer, resulting in additional pension expense and additional health care expense of \$123,448. Pension expense has been included in the annual pension cost disclosed in Footnote 10. As of June 30, 2014, there remains an accrued liability for health care of \$92,586.

13. ACCRUED WORKERS' COMPENSATION COSTS

Component Unit – VIT

Included in accrued workers' compensation costs are a workers' compensation claims component and an accrued Department of Labor assessment component. The workers' compensation claims component consists of the Company's estimate of its continuing liability for injuries which occurred during periods of self-insurance. The balances at June 30, 2014 and 2013 are classified as follows:

	<u>2014</u>	<u>2013</u>
Workers' compensation claims	\$ 123,796	\$ 123,796
Workers' compensation claims, noncurrent portion	<u>684,818</u>	<u>887,399</u>
	<u>\$ 808,614</u>	<u>\$ 1,011,195</u>

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

13. ACCRUED WORKERS' COMPENSATION COSTS - concluded

Component Unit – VIT - concluded

The accrued Department of Labor (DOL) assessment component is the Company's estimate of the present value of its future liability to the Department of Labor for participation in the U.S. Department of Labor's Second Injury Fund. The total liability has been discounted using a rate of 7.5% and 4.66% at June 30, 2014 and 2013, respectively. The undiscounted liability totaled approximately \$2,915,006 and \$3,483,000 at June 30, 2014 and 2013, respectively. The Company expects to pay these assessments annually through 2025. The balances at June 30, 2014 and 2013 are classified as follows:

	<u>2014</u>	<u>2013</u>
Accrued DOL assessment	\$ 888,400	\$ 876,336
Accrued DOL assessment, noncurrent portion	<u>1,323,559</u>	<u>1,667,862</u>
	<u>\$ 2,211,959</u>	<u>\$ 2,544,198</u>

14. RISK MANAGEMENT AND EMPLOYEE HEALTH CARE PLANS

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

Through its operating agreement, the Authority requires Virginia International Terminals, 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. There is no self-insurance.

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.

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

14. RISK MANAGEMENT AND EMPLOYEE HEALTH CARE PLANS – concluded

Component Unit – VIT - concluded

The Company is also partially self-insured for employee health coverage. The Company is responsible for actual claim costs up to \$125,000 per individual for calendar year 2014 and 2013. Insurance coverage is maintained for claims in excess of the individual employee limit and for aggregate claims in excess of \$5,375,014 and \$5,546,961 in calendar year 2014 and 2013, respectively.

Insurance expense under these policies totaled \$8,338,475 and \$8,839,491 for the years ended June 30, 2014 and 2013, respectively.

15. CHANGE IN ACCOUNTING PRINCIPLE

GASB 65

The Authority has implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Statement No. 65 establishes accounting and financial reporting standards that (a) reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that previously were reported as assets and liabilities; and (b) recognize, as revenues or expenses, certain items that previously were reported as assets and liabilities. As a result, bond issuance costs, which previously were netted against the associated bond discount or bond premium on the balance sheet and amortized over the life of the associated bond payable, now are expensed in the period incurred. The cumulative effect of this change is \$5,014,977. This change resulted in a \$5,014,977 decrease in net position as of June 30, 201, as presented in the statement of activities.

Component Unit – VIT

As of June 30, 2014, the Company has adopted the applicable GASB guidance for pension accounting. Previously, the Company recorded assets, liabilities, activities, and cash flows related to its Defined Benefit Pension Plan (the Plan) in accordance with applicable FASB guidance. These two methodologies differ primarily in the calculation of the Plan's Annual Pension Cost (APC). Under GASB 50, the APC is comprised of the actuarially calculated Annual Required Contribution (ARC), one year's interest on the Net Pension Obligation (NPO), and an adjustment to the ARC based on the present value of the NPO. Under FASB guidance, the Plans' APC is comprised of all elements present under the GASB 50 methodology, as well as the Plan's annual service cost, amortization of prior service costs, and return on the Plan's assets.

Management has elected to make this change in principle in order to present the consolidated financial statements entirely on the GASB basis, as to make the consolidated financial statements more consistent with the VPA. As required by accounting principles generally accepted in the United States of America, the effects of this change in principle on the net

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

15. CHANGE IN ACCOUNTING PRINCIPLE – concluded

Component Unit – VIT - concluded

position, operations, and cash flows of the Company have been applied in the earliest period presented in the consolidated financial statements.

The net effect of adopting the provisions of GASB has been a decrease in the actuarially calculated value of the APC such that the funded status of the Plan, as of June 30, 2013, which was calculated as a \$3,906,769 liability in the consolidated financial statements for that period as issued on October 30, 2013 is now actuarially calculated to be an \$8,300,503 asset. This change resulted in a \$12,207,272 increase in net position as of June 30, 2013, as presented on the consolidated statement of activities.

16. SUBSEQUENT EVENTS

On August 8, 2014, VIT and HRCP II amended their respective operating agreements to incorporate relevant changes as a result of VIT's conversion from a nonstock, not-for-profit corporation to a single-member limited liability company, and to incorporate relevant changes related to VIT's and VPA's amended service agreement, also amended August 8, 2014. As part of the amended service agreement, VIT, HRCP II, and VPA have entered a shared services agreement whereby the entities will share common administrative functions for accounting and finance, purchasing, risk management, and human resources. Under the agreement, all administrative functions of the separate entities will be consolidated and employees transferred to the VPA, and each respective entity will pay its applicable share of administrative costs.

In August 2014, a partnership comprising affiliates of investment funds managed by Alinda Capital Partners and Universities Superannuation Scheme Limited purchased the APM Terminal. The VPA continues to operate the terminal under the original 20-year lease agreement with APMT. APM Terminals has been renamed to Virginia International Gateway (VIG).

In October 2014, PMT was officially reopened and received its first vessel ship. Annual volume is expected to be approximately 75,000 to 100,000 containers and will help alleviate container congestion at NIT and VIG (formerly APMT).

Management has evaluated subsequent events through October 31, 2014, which is the date the financial statements were available to be issued.



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STATISTICAL SECTION
(unaudited)

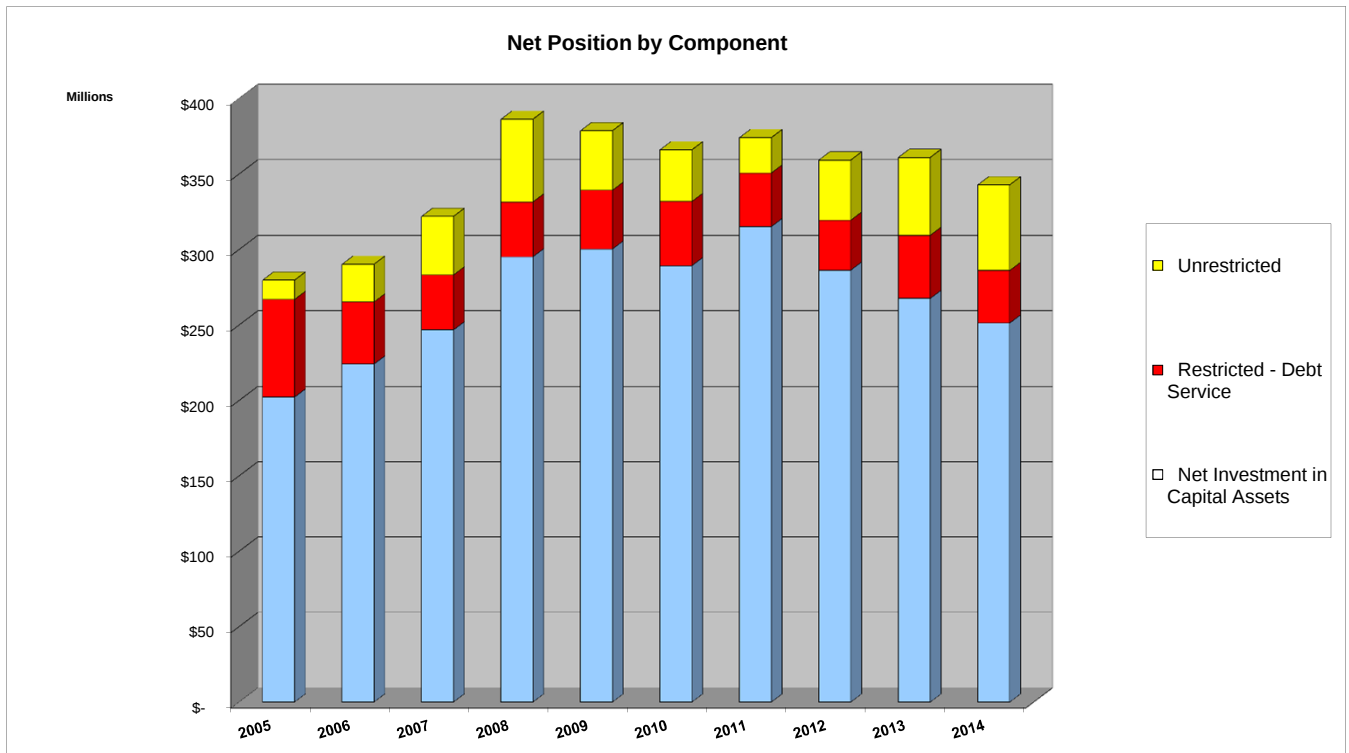
The objective of the statistical section is to provide information about the economic condition within which the Virginia Port Authority operates, to enable the user to more fully understand what the information in the financial statements, notes and supplementary information says about the Authority's overall financial condition. Unlike most governmental agencies, the Virginia Port Authority has no taxing authority and relies predominately on funds generated through business services at the Ports. Their economic conditions are unlike a taxing locality, where population demographics directly affects revenue. The Authority is influenced by worldwide economic conditions as opposed to more localized conditions.

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

VIRGINIA PORT AUTHORITY
Net Position by Component
For the Years 2005 Through 2014

	2005	2006	2007	Fiscal Year 2008	2009	2010	2011	2012	2013	2014
Net Position:										
Net Investment in Capital Assets	\$ 202,336,198	\$ 224,220,031	\$ 246,841,187	\$ 295,284,451	\$ 300,421,130	\$ 289,355,155	\$ 315,269,080	\$ 286,446,478	\$ 267,689,977	\$ 251,399,957
Restricted - Debt Service	64,690,174	41,122,205	36,390,367	36,319,428	38,925,250	42,519,110	35,478,707	33,081,525	41,833,813	34,823,401
Unrestricted	12,747,900	24,975,016	38,748,815	54,757,736	39,384,094	34,215,199	23,416,417	39,831,818	51,568,748	56,685,342
Total Net Position	\$ 279,774,272	\$ 290,317,252	\$ 321,980,369	\$ 386,361,615	\$ 378,730,474	\$ 366,089,464	\$ 374,164,204	\$ 359,359,821	\$ 361,092,538	\$ 342,908,700

The chart has been updated to comply with GASBS 63
Net Position amounts have been restated to reflect the implementation of GASB65



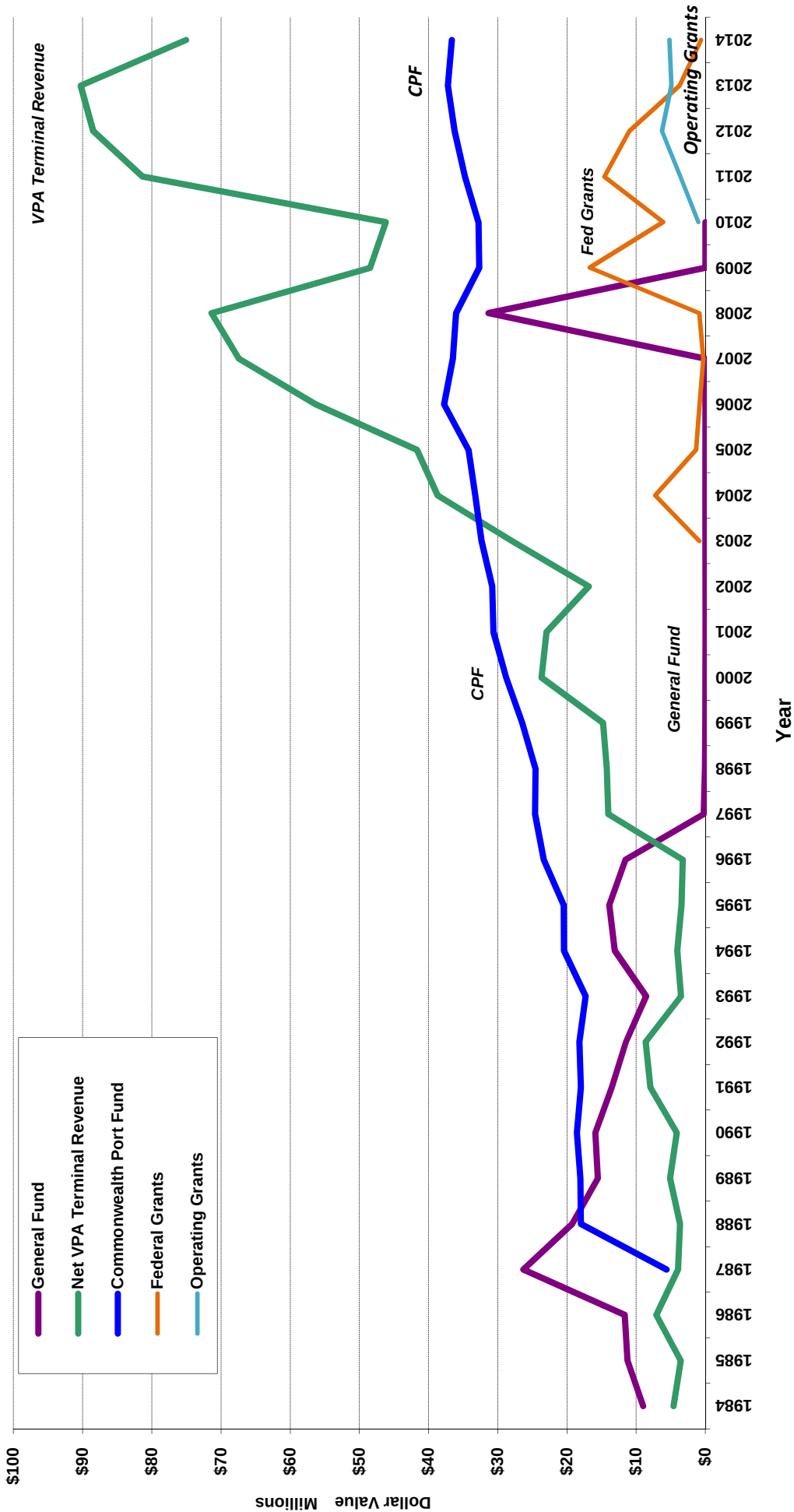
VIRGINIA PORT AUTHORITY
Changes in Net Position
For the Years 2005 Through 2014

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Operating Revenues:										
Operating revenues from component unit	\$ 41,678,561	\$ 56,330,102	\$ 67,399,813	\$ 71,370,049	\$ 48,448,053	\$ 46,184,870	\$ 81,348,960	\$ 88,458,998	\$ 90,272,604	\$ 75,058,836
Operating revenues- grants	-	-	-	-	-	1,030,769	3,596,326	6,283,332	7,970,579	5,192,084
Other revenues	2,239,387	2,997,586	4,946,483	6,049,718	4,707,316	4,742,848	6,274,000	6,519,292	4,903,439	7,762,729
Total operating revenues	43,917,948	59,327,688	72,346,296	77,419,767	53,155,369	51,958,487	91,219,286	101,261,622	103,146,622	88,013,649
Operating Expenses:										
Terminal operations	2,067,755	2,572,812	1,842,680	1,842,533	1,875,888	1,917,506	1,995,005	2,068,666	2,128,546	1,309,688
Terminal maintenance	4,221,083	5,773,381	4,586,595	4,878,215	6,055,480	6,849,226	7,962,089	10,492,515	8,731,182	8,324,365
General and administrative	15,941,738	16,997,029	21,153,082	23,263,380	20,191,192	19,748,554	22,600,035	22,089,260	18,577,038	19,035,258
Facility Rental	-	-	-	-	-	-	29,740,480	37,063,827	47,229,466	52,479,613
Depreciation and amortization	22,782,144	29,214,567	33,420,295	35,088,380	38,595,919	43,696,187	45,951,084	44,534,319	43,770,429	42,756,883
Total operating expenses	45,012,720	54,557,789	61,002,652	65,072,508	66,718,479	72,211,473	108,248,693	116,248,587	120,436,661	123,905,807
Operating income (loss)	(1,094,772)	4,769,899	11,343,644	12,347,259	(13,563,110)	(20,252,986)	(17,029,407)	(14,986,965)	(17,290,039)	(35,892,158)
Non-operating revenues (expenses)										
Interest income	2,513,724	4,181,708	6,983,909	4,290,858	1,855,775	578,313	697,221	636,920	482,181	330,581
Interest expense	(15,721,684)	(18,904,385)	(19,249,296)	(18,352,451)	(21,625,430)	(21,386,830)	(23,007,021)	(26,066,078)	(21,663,809)	(20,166,510)
Bond Issue Costs	-	(941,599)	(921,160)	(678,876)	(20,000)	(694,650)	(538,986)	(734,427)	(917,063)	(69,000)
Commonwealth Rail Relocation Income	-	-	1,120,000	20,781,163	-	-	2,014,416	6,375,798	244,424	-
Commonwealth Rail Relocation Expense	-	-	(1,447,474)	(22,102,404)	(26,817,021)	(8,223,576)	(2,272,191)	(6,296,498)	(394,990)	(133,770)
Operating expenses to component unit	(8,367,186)	(5,424,620)	(4,498,144)	876,048	(4,852,551)	-	-	-	-	-
Revenues from federal government	1,322,558	840,276	300,787	-	16,711,588	6,076,191	12,588,643	4,612,432	3,471,137	626,643
Proceeds from other state agencies	-	-	-	7,388,750	-	-	-	-	-	-
Revenues (to) from primary government	(419,908)	(325,365)	(173,802)	23,948,420	(155,867)	(105,427)	(261,468)	(297,267)	(158,628)	306,335
Channel dredging Income/Expenses - Fed Govt	(7,100,005)	(6,762,000)	-	-	-	-	-	-	-	-
Voluntary Non-Exchange Income	-	-	-	35,590	38,825	7,787	8,996	8,722	-	-
Other income (expense)	(56,518)	100,339	166,303	-	-	-	-	-	-	-
Gain (loss) on disposals	(10,685,443)	(120,524)	(430,311)	(852,527)	3,793	(2,093,785)	88,879	(15,266,083)	708,585	2,652
Income (loss) before capital contributions and transfers	(39,609,234)	(22,586,271)	(6,805,544)	27,681,830	(46,523,998)	(46,094,963)	(27,710,918)	(52,013,446)	(35,518,202)	(54,995,227)
Transfers										
Commonwealth Port Fund allocation	34,236,656	37,769,900	36,500,057	36,036,914	32,663,448	32,784,966	34,717,391	36,252,985	37,223,718	36,652,218
Capital contributions (to) from component unit, net	4,071,724	(4,640,649)	1,968,604	662,502	6,229,410	668,987	1,068,266	956,079	27,200	159,171
Capital contribution to City of Norfolk	(5,000,000)	-	-	-	-	-	-	-	-	-
Increase (decrease) in Net Position	(6,300,854)	10,542,980	31,663,117	64,381,246	(7,631,140)	(12,641,010)	8,074,739	(14,804,382)	1,732,716	(18,183,838)
Net Position - Beginning of Year	286,075,126	279,774,272	290,317,252	321,980,369	386,361,615	378,730,475	366,089,465	374,164,204	359,359,822	361,092,538
Net Position - End of Year	\$ 279,774,272	\$ 290,317,252	\$ 321,980,369	\$ 386,361,615	\$ 378,730,475	\$ 366,089,465	\$ 374,164,204	\$ 359,359,822	\$ 361,092,538	\$ 342,908,700

Note this has been reorganized to reflect non operating incomes and expenses as they are currently depicted in the financial statements presented herein. Net Assets are now Net Position per GASBS 63
This has also been restated for the implementain of GASB 65 allocating the \$5,014,977 cumulative affect of Expensing Cost of Issuance as incurred (some were beyond 2005)

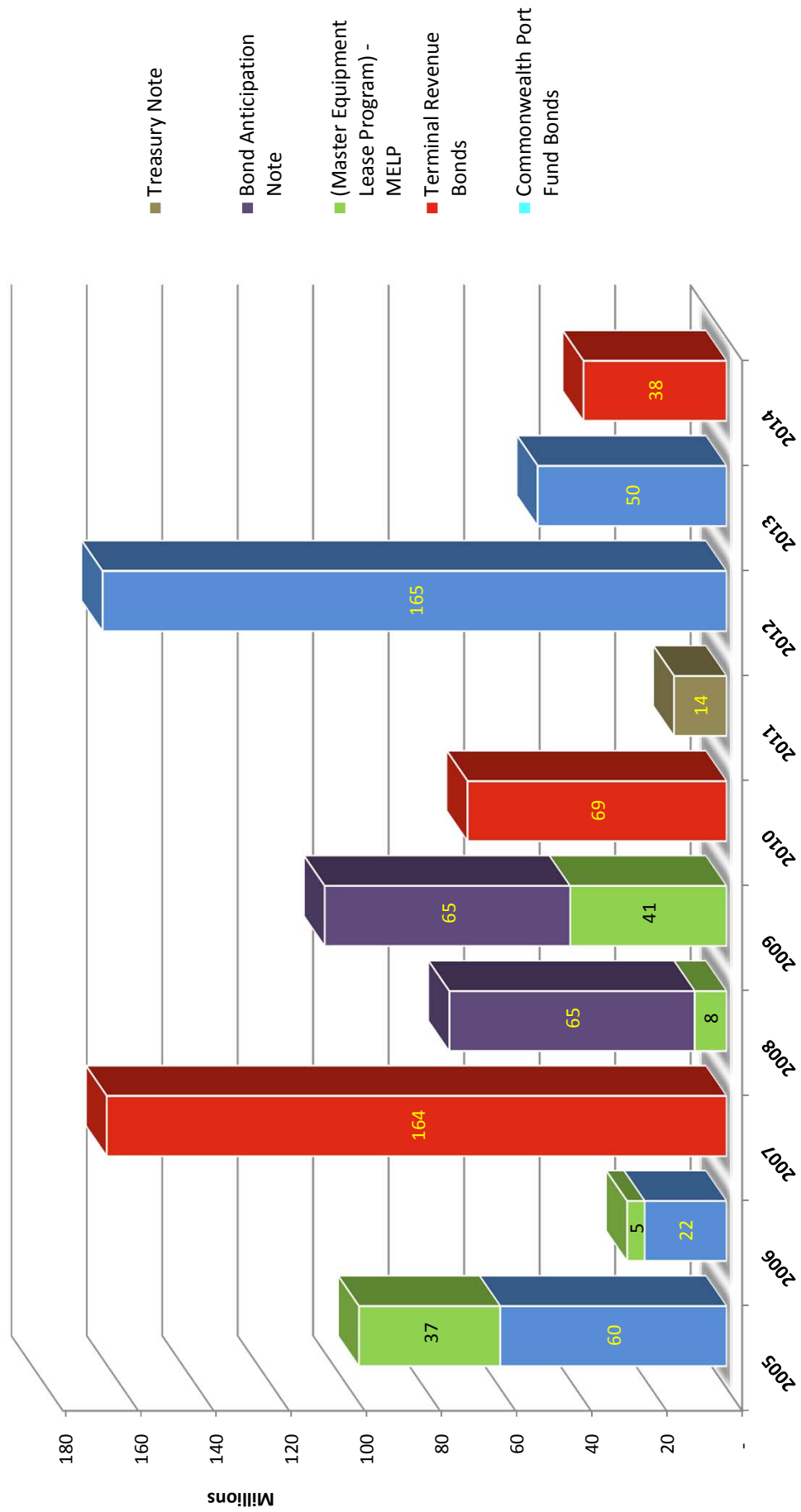
Revenue Capacity - These schedules and graphs contain trend data about how the revenue sources of the Authority have changed over time.

VIRGINIA PORT AUTHORITY - Revenue Comparisons



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

Virginia Port Authority Debt Issuance



VIRGINIA PORT AUTHORITY
Commonwealth Port Fund (CPF) Revenue Bonds¹
Debt Service Payment Requirements

Period Ending June 30,	Series 2005A (AMT)				Series 2006				Series 2011				Series 2012				Series 2012-B				Series 2012-C				Total Bonds Debt Service
	Principal	Interest	Debt Service		Principal	Interest	Debt Service		Principal	Interest	Debt Service		Principal	Interest	Debt Service		Principal	Interest	Debt Service		Principal	Interest	Debt Service		
2015	1,840,000	142,500	1,982,500		2,735,000	308,963	3,043,963		2,868,500	2,868,500	2,868,500		6,345,000	2,684,329	9,029,329		710,000	1,128,745	1,838,745		224,150	224,150	224,150	18,987,187	
2016	1,930,000	48,250	1,978,250		2,885,000	154,413	3,039,413		2,868,500	2,868,500	2,868,500		6,400,000	2,618,847	9,018,847		715,000	1,124,393	1,839,393		224,150	224,150	224,150	18,968,552	
2017					2,885,000	154,413	3,039,413		2,868,500	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	224,150	17,349,142	
2018					1,365,000	37,538	1,402,538		2,868,500	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	224,150	15,942,136	
2019									2,868,500	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	224,150	15,928,386	
2020									2,868,500	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	224,150	15,910,003	
2021									2,868,500	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	224,150	15,889,103	
2022									2,868,500	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	224,150	15,877,935	
2023									2,868,500	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	224,150	15,865,851	
2024									2,868,500	2,868,500	2,868,500		7,625,000	1,304,419	8,929,419		3,115,000	732,597	3,825,979		224,150	224,150	224,150	15,848,048	
2025									2,868,500	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	224,150	15,837,718	
2026									2,868,500	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	224,150	15,822,003	
2027									2,868,500	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	224,150	15,807,594	
2028									2,868,500	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	224,150	15,792,126	
2029									2,868,500	2,868,500	2,868,500						3,630,000	172,611	3,802,611		224,150	224,150	224,150	9,396,136	
2030									2,868,500	2,868,500	2,868,500		2,565,000				2,930,000	53,853	2,983,853		780,000	212,450	992,450	9,339,303	
2031									2,868,500	2,868,500	2,868,500		2,690,000								4,015,000	100,375	4,115,375	9,470,625	
2032									2,868,500	2,868,500	2,868,500		2,820,000												9,528,625
2033									2,868,500	2,868,500	2,868,500		7,245,000												9,528,625
2034									2,868,500	2,868,500	2,868,500		7,610,000												9,522,250
2035									2,868,500	2,868,500	2,868,500		7,990,000												9,512,250
2036									2,868,500	2,868,500	2,868,500		8,390,000												9,502,750
2037									2,868,500	2,868,500	2,868,500		8,810,000												9,492,750
									2,868,500	2,868,500	2,868,500		9,250,000												9,481,250

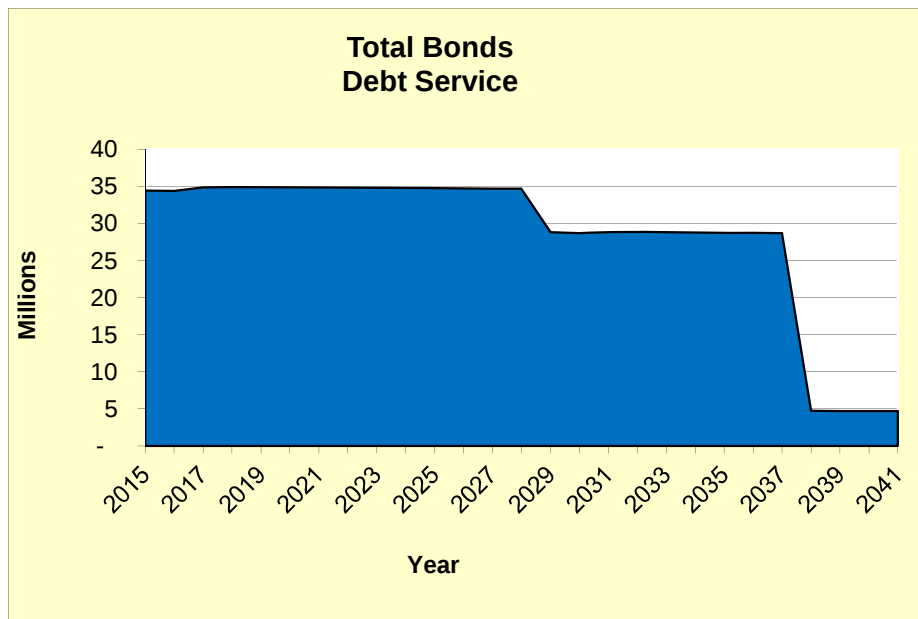
VIRGINIA PORT AUTHORITY
Port Facilities Revenue Bonds¹
Debt Service Payment Requirements

Period Ending June 30,	Series 2003 Bonds			Series 2006 Bonds			Series 2007 Bonds			Series 2010 Bonds			Series 2013 Bonds			Total Bonds	
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Debt Service	
2015	688,275		688,275	3,983,188		3,983,188	3,210,000	3,061,000	6,271,000	3,308,319		3,308,319	3,308,319	1,172,501	1,172,501	15,423,282	
2016		688,275	688,275	3,983,188	688,275	3,983,188	3,365,000	2,896,625	6,261,625		3,308,319	3,308,319		1,172,501	1,172,501	15,413,907	
2017		688,275	688,275	3,983,188	688,275	3,983,188	3,335,000	2,724,125	6,259,125		3,308,319	3,308,319		1,163,076	1,173,076	17,496,683	
2018		688,275	688,275	3,983,188	688,275	3,983,188	3,710,000	2,543,000	6,253,000		3,208,344	4,783,344	610,000	1,120,666	3,255,666	18,963,472	
2019		688,275	688,275	3,983,188	688,275	3,983,188	3,900,000	2,352,750	6,252,750		3,141,041	4,796,041	1,575,000	1,053,690	3,253,690	18,973,944	
2020		688,275	688,275	3,983,188	688,275	3,983,188	4,090,000	2,153,000	6,243,000		3,070,363	4,780,363	1,655,000	984,551	3,259,551	18,954,373	
2021		688,275	688,275	3,983,188	688,275	3,983,188	4,295,000	1,943,375	6,238,375		2,991,713	4,786,713	1,795,000	913,250	3,253,250	18,949,800	
2022		688,275	688,275	3,983,188	688,275	3,983,188	4,510,000	1,723,250	6,233,250		2,909,188	4,774,188	1,865,000	839,785	3,254,785	18,933,685	
2023		688,275	688,275	3,983,188	688,275	3,983,188	4,740,000	1,492,000	6,232,000		2,813,563	4,773,563	1,960,000	764,003	3,254,003	18,931,028	
2024		688,275	688,275	3,983,188	688,275	3,983,188	4,970,000	1,249,250	6,219,250		2,723,363	4,783,363	2,060,000	685,903	3,250,903	18,924,978	
2025		688,275	688,275	3,983,188	688,275	3,983,188	5,220,000	994,500	6,214,500		2,629,622	4,769,622	2,140,000	605,408	3,250,408	18,906,193	
2026		688,275	688,275	3,983,188	688,275	3,983,188	5,480,000	727,000	6,207,000		2,531,178	4,776,178	2,245,000	522,442	3,247,442	18,902,082	
2027		688,275	688,275	3,983,188	688,275	3,983,188	5,760,000	446,000	6,206,000		2,428,488	4,763,388	2,335,000	437,003	3,242,003	18,882,853	
2028		688,275	688,275	3,983,188	688,275	3,983,188	6,040,000	151,000	6,191,000		2,312,613	4,762,613	2,450,000	348,861	3,248,861	18,873,936	
2029		688,275	688,275	3,983,188	688,275	3,983,188			6,191,000		2,191,138	4,761,138	2,570,000	152,028	9,840,000	19,424,628	
2030	2,795,000	625,388	3,420,388	3,808,506		11,163,506	7,355,000		11,163,506		2,063,663	4,758,663	2,695,000		19,342,556	19,342,556	
2031	2,920,000	496,800	3,416,800	3,450,831		11,155,831	7,705,000		2,825,000		1,930,063	4,755,063	2,825,000		19,327,694	19,327,694	
2032	3,621,363	362,363	3,417,363	3,076,294		11,141,294	8,065,000		2,960,000		1,787,750	4,747,750	2,960,000		19,306,406	19,306,406	
2033	3,190,000	221,850	3,411,850	2,673,375		11,128,375	8,455,000		3,110,000		1,636,000	4,746,000	3,110,000		19,286,225	19,286,225	
2034	3,335,000	75,038	3,410,038	2,240,125		11,115,125	8,875,000		3,265,000		1,476,625	4,741,625	3,265,000		19,266,788	19,266,788	
2035				1,698,125		14,503,125	12,805,000		3,425,000		1,309,375	4,734,375	3,425,000		19,237,500	19,237,500	
2036				1,041,875		14,486,875	13,445,000		3,600,000		1,133,750	4,733,750	3,600,000		19,220,625	19,220,625	
2037				352,875		14,467,875	14,115,000		3,780,000		949,250	4,729,250	3,780,000		19,197,125	19,197,125	
2038									3,965,000		755,625	4,720,625	3,965,000		4,720,625	4,720,625	
2039									4,165,000		552,375	4,717,375	4,165,000		4,717,375	4,717,375	
2040									4,375,000		338,875	4,713,875	4,375,000		4,713,875	4,713,875	
2041									4,590,000		114,750	4,704,750	4,590,000		4,704,750	4,704,750	
Final Payment due	\$ 15,295,000	\$ 12,105,563	\$ 27,400,563	\$ 80,820,000	\$ 78,089,819	\$ 158,909,819	\$ 62,825,000	\$ 24,456,875	\$ 87,281,875	\$ 68,630,000	\$ 56,893,470	\$ 125,523,470	\$ 37,945,000	\$ 11,935,666	\$ 49,880,666	\$ 448,996,391	
			7/1/2033			7/1/2036			7/1/2027			7/1/2027			7/1/2040		

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

VIRGINIA PORT AUTHORITY
Debt Service Payment Requirements

Period Ending June 30,	Commonwealth Port Fund Bonds Debt Service	Port Facilities Revenue Bonds Debt Service	Total Bonds Debt Service
2015	18,987,187	15,423,282	34,410,469
2016	18,968,552	15,413,907	34,382,459
2017	17,349,142	17,496,683	34,845,825
2018	15,942,136	18,963,472	34,905,608
2019	15,928,386	18,973,944	34,902,330
2020	15,910,003	18,954,377	34,864,379
2021	15,889,103	18,949,800	34,838,903
2022	15,877,935	18,933,685	34,811,620
2023	15,865,851	18,931,028	34,796,879
2024	15,848,048	18,924,978	34,773,026
2025	15,837,718	18,906,193	34,743,911
2026	15,822,003	18,902,082	34,724,085
2027	15,807,594	18,882,853	34,690,447
2028	15,792,126	18,873,936	34,666,062
2029	9,396,136	19,424,628	28,820,764
2030	9,339,303	19,342,556	28,681,860
2031	9,470,625	19,327,694	28,798,319
2032	9,528,625	19,306,406	28,835,031
2033	9,522,250	19,286,225	28,808,475
2034	9,512,250	19,266,788	28,779,038
2035	9,502,750	19,237,500	28,740,250
2036	9,492,750	19,220,625	28,713,375
2037	9,481,250	19,197,125	28,678,375
2038		4,720,625	4,720,625
2039		4,717,375	4,717,375
2040		4,713,875	4,713,875
2041		4,704,750	4,704,750
	<u>\$ 315,071,723</u>	<u>\$ 448,996,391</u>	<u>\$ 764,068,114</u>



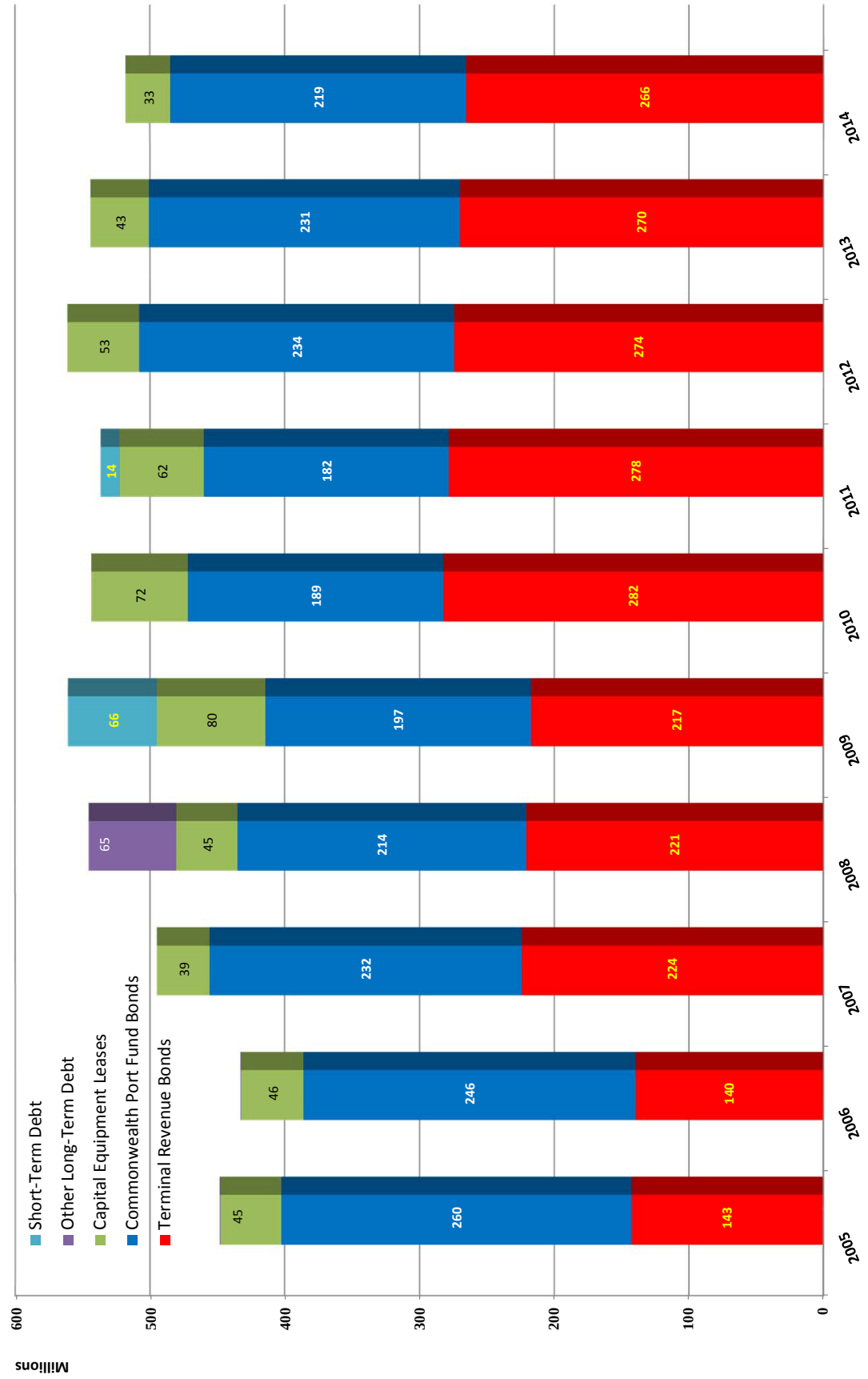
Virginia Port Authority
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

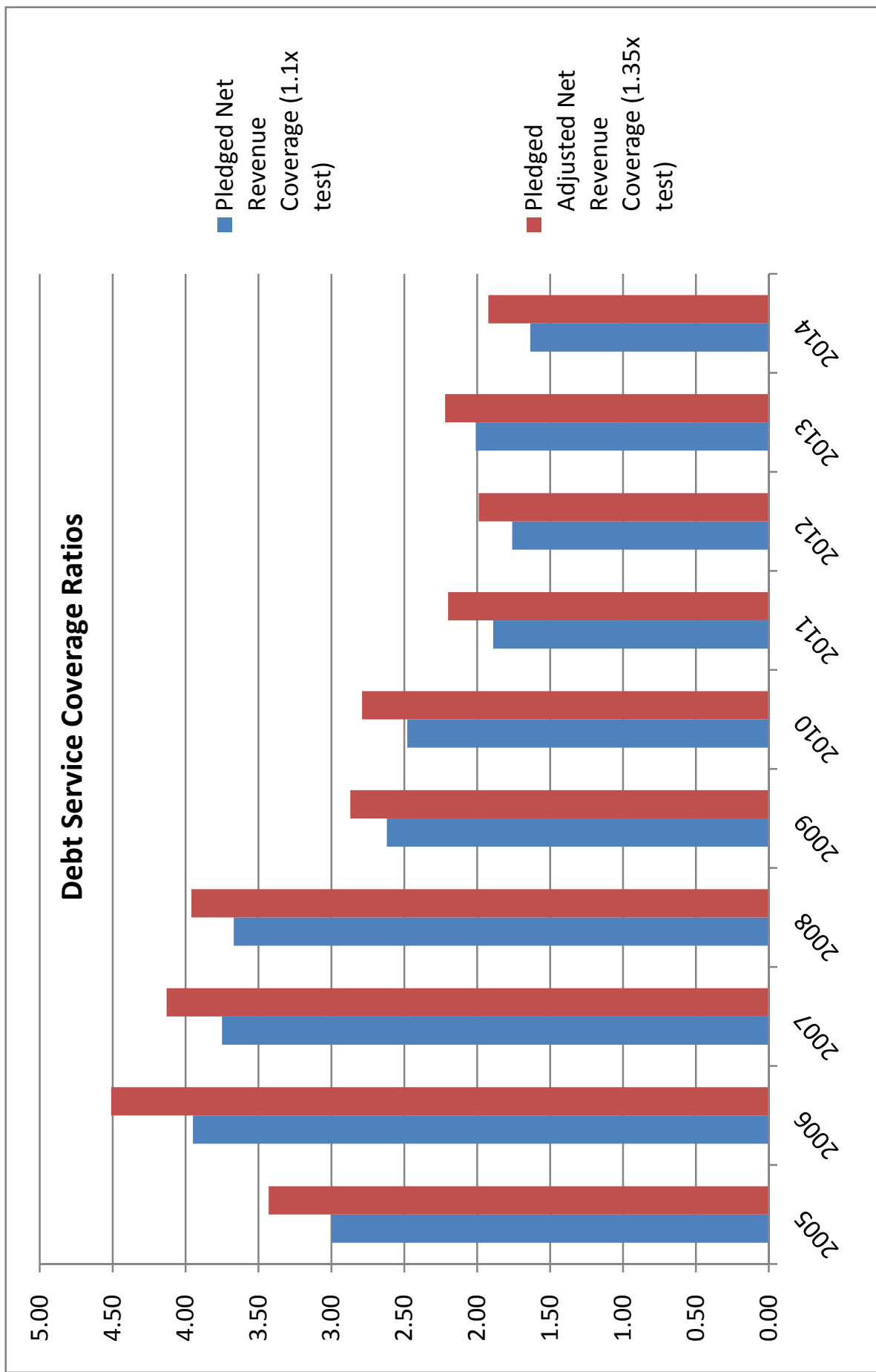
Fiscal Year Ended June 30,	Terminal Revenue Bonds*	Commonwealth Port Fund Bonds*	Capital Equipment Leases	Other Long-Term Debt	Short-Term Debt	Total	Ratio- Total to Operating Revenues
2005	142,650,000	259,780,000	45,173,162	719,090		448,322,252	2.19
2006	139,730,000	246,265,000	46,015,790	699,278		432,710,068	1.89
2007	224,125,000	231,610,000	39,195,175			494,930,175	1.99
2008	220,890,000	214,220,000	45,169,903	65,000,000		545,279,903	2.10
2009	217,365,000	196,995,000	80,375,357		65,941,850	560,677,207	2.69
2010	282,295,000	189,490,000	71,556,396			543,341,396	2.60
2011	278,420,000	181,605,000	62,494,187		13,911,029	536,430,216	1.86
2012	274,360,000	233,540,000	53,121,562			561,021,562	1.81
2013	270,110,000	230,505,000	43,427,551			544,042,551	1.54
2014	265,515,000	219,230,000	33,290,174			518,035,174	1.31

* 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





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

Virginia International Terminals

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY2011</u>	<u>FY2012</u>	<u>FY2013</u>	<u>FY2014</u>
VIT Gross Receipts	16.06% 197,703,653	222,966,322	238,319,892	255,622,375	213,953,605	193,786,201	262,193,694	285,172,289	319,328,899	312,014,454
VIT Current Expenses	(151,068,932)	(164,865,110)	(173,427,457)	(185,366,708)	(157,368,268)	(147,306,627)	(178,543,458)	(197,617,574)	(222,110,006)	(223,495,865)
* VIT Current Expense (CE) Reserve (Deposit)/Withdrawal	0	0	5,800,000	-	-	2,200,000	(900,000)	1,562,000	-	2,595,997
VIT Deposits to CE/MA	(5,392,809)	(4,412,064)	(2,862,031)	(2,079,126)	(7,781,079)	(1,815,981)	(3,842,153)	(4,701,389)	(4,635,516)	(9,243,097)
Fixed Asset Proceeds				-	-	-	-	385,738	(768,363)	(733,364)
VIT Net Revenue	41,241,912	53,689,148	67,830,404	68,176,541	48,804,258	46,863,593	78,908,083	84,801,064	91,815,013	81,138,125

Virginia Port Authority

VPA Gross Revenues										
VIT Net Revenue	41,241,912	53,689,148	67,830,404	68,176,541	48,804,258	46,863,593	78,908,083	84,801,064	91,815,013	81,138,125
Other Income	2,233,236	2,767,678	4,227,669	6,520,593	4,825,652	9,430,005	6,126,614	6,357,859	8,881,695	6,924,491
Interest Income	270,488	450,524	928,880	796,621	134,182	44,490	73,737	28,359	98,956	9,066
Total VPA Gross Revenues	43,745,636	56,907,350	72,986,953	75,493,754	53,764,092	56,338,088	85,108,434	91,187,282	100,795,664	88,071,682
VPA Current Expenses	(19,718,980)	(23,093,131)	(26,502,895)	(27,754,385)	(25,071,082)	(22,977,885)	(55,359,088)	(65,269,973)	(70,046,960)	(72,577,974)
Prior Obligations	(112,280)	(9,356)	0	-	-	-	-	-	-	-
VPA Net Revenues	23,914,376	33,804,863	46,484,058	47,739,369	28,693,010	33,360,203	29,749,346	25,917,310	30,748,704	15,493,708
VPA CPF for O & M	4,218,866	5,424,467	5,096,647	3,967,632	3,453,823	4,440,626	5,604,072	4,032,026	3,704,328	4,337,882

Debt Service Coverage

Series 2003, 2006, 2007 and 2010 Bonds Net Debt Service	9,771,261	9,677,370	13,166,322	13,568,697	13,906,715	14,174,477	17,780,512	17,389,491	17,571,928	15,113,582
Pledged Net Revenues	29,307,185	38,216,927	49,346,089	49,818,496	36,474,089	35,176,184	33,591,499	30,618,699	35,384,220	24,736,804
Pledged Adjusted Net Revenues	33,526,051	43,641,394	54,442,736	53,786,129	39,927,912	39,616,810	39,195,571	34,650,725	39,088,547	29,074,686
Pledged Net Revenue Coverage (1.1x test)	3.00	3.95	3.75	3.67	2.62	2.48	1.89	1.76	2.01	1.64
Pldged Adjusted Net Revenue Coverage (1.35x test)	3.43	4.51	4.13	3.96	2.87	2.79	2.20	1.99	2.22	1.92



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

In 2013, The Port of Virginia Cargo moved via:



TRUCK : 62%

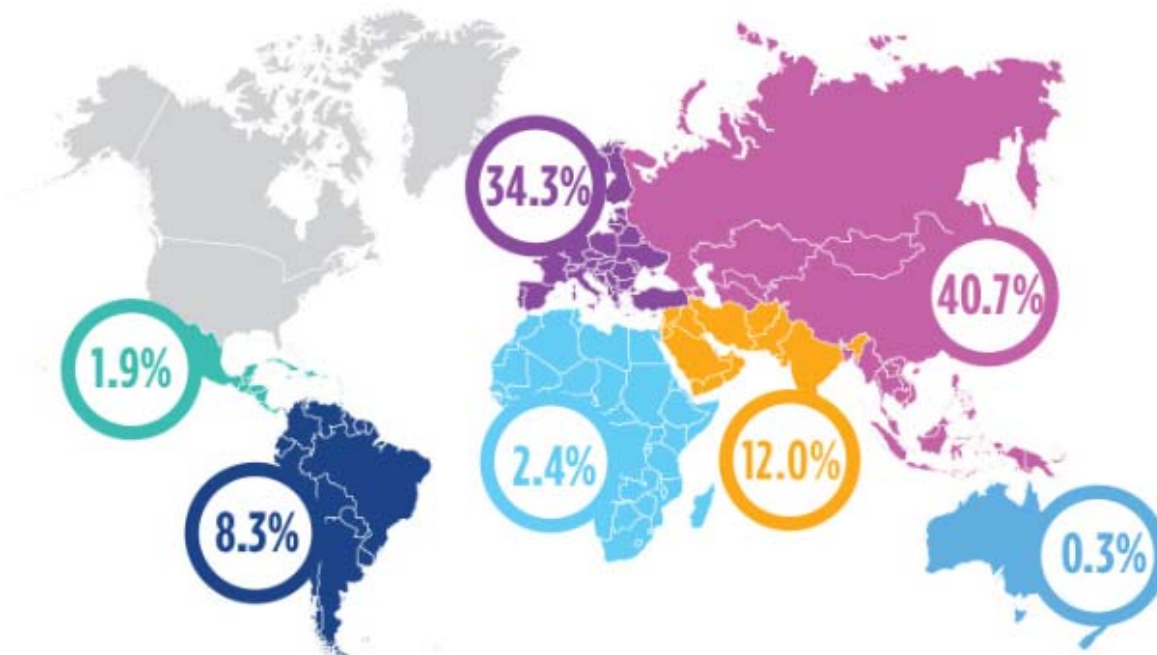


RAIL : 34%

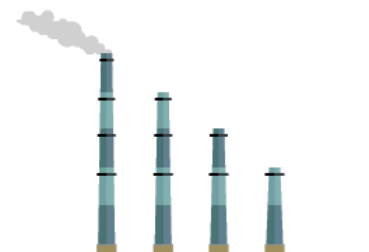


BARGE : 4%

The Port of Virginia Markets: Containerized Cargo, CY 2013



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



38% DECREASE
AIR EMISSION REDUCTION
SINCE 1999



AN ECONOMIC IMPACT OF
\$41 BILLION
IN TOTAL REVENUE
TO THE COMMONWEALTH

Fast Facts



50 FT

50-foot channels and berths



0 AIR DRAFT
RESTRICTIONS

Zero air-draft restrictions



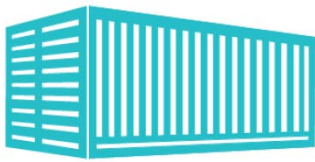
**CONGRESSIONAL
AUTHORIZATION**

Only US East Coast port with Congressional authorization for 55-foot depth channels



**FULLY AUTHORIZED
FOR EXPANSION**

Fully authorized and permitted for future marine terminal expansion



2.22 MILLION

2.22 million TEUs annual throughput in 2013



22

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



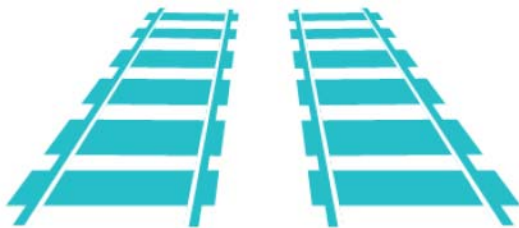
34%

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



2.5 HOURS

2.5 hours to open sea



2

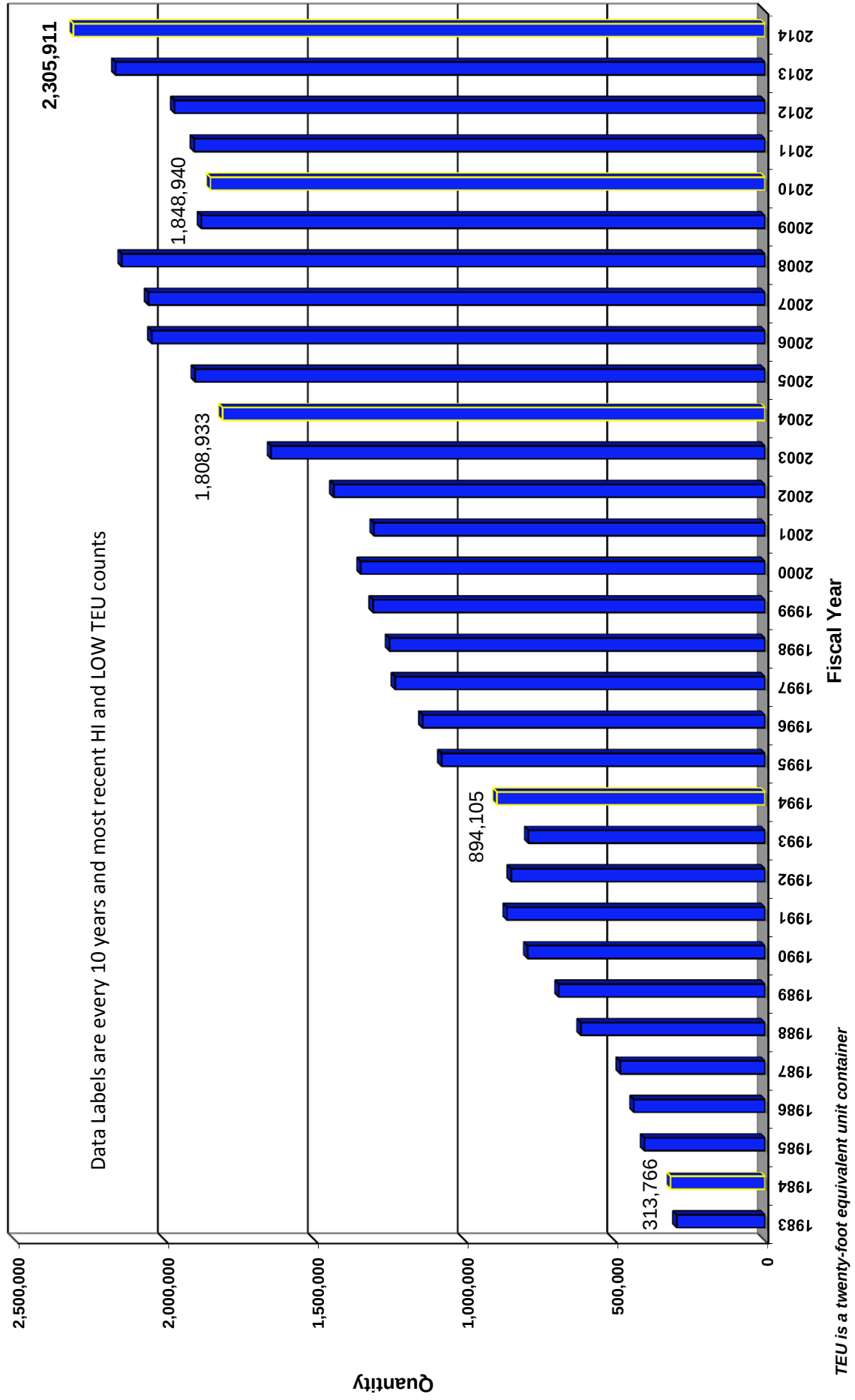
2 Class I railroads operating on-dock



16

16 Midwest and Southeast inland points served by rail

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



The Port of Virginia

2013 Key Performance Indicators

TOTAL			EXPORT			IMPORT		
	Short Tons (Thousands)	Metric Tons (Thousands)		Short Tons (Thousands)	Metric Tons (Thousands)		Short Tons (Thousands)	Metric Tons (Thousands)
Total Cargo	73,501.44	66,680.07	Total Cargo	63,491.65	57,599.25	Total Cargo	10,009.79	9,080.82
General Cargo	18,840.30	17,091.62	General Cargo	10,467.81	9,496.23	General Cargo	8,369.20	7,592.40
Container Cargo	18,504.24	16,786.75	Container Cargo	10,436.64	9,467.95	Container Cargo	8,067.60	7,318.80
Breakbulk Cargo*	336.06	304.87	Breakbulk Cargo	31.17	28.28	Breakbulk Cargo	301.60	273.60
Container Units	1,274,911		Container Units	678,951		Container Units	595,960	
TEUs	2,223,532		TEUs	1,187,231		TEUs	1,036,301	
Total Cargo Dollar Value (Millions)	66,945.91		Total Cargo Dollar Value (Millions)	29,566.10		Total Cargo Dollar Value (Millions)	37,379.81	
Vessel Calls	2,840							
Coal Loadings* Short Tons (Thousands)	51,084.84							

*Coal loadings and breakbulk cargo include international and domestic shipments

Top 10 U.S. East Coast Container Ports		
Market Share	TEUs	East Coast Market Share
New York/New Jersey	5,467,345	32%
Savannah	3,034,014	18%
Port of Virginia	2,223,532	13%
Charleston	1,601,366	9%
Port Everglades	939,945	6%
Jacksonville	924,534	5%
Miami	895,585	5%
Baltimore	705,230	4%
Philadelphia	366,851	2%
Palm Beach	263,305	2%

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

Compiled by VPA, Business Analysis and Strategy

The Port of Virginia

2013 Total Cargo in Thousands of Short Tons

Top 10 Trading Partners

Top 10 Commodities

Exports			Imports			Exports			Imports		
1	China	7,343.36	1	China	1,888.56	1	Mineral Fuel, Oil Etc	49,858.79	1	Machinery	755.23
2	Netherlands	5,893.36	2	Brazil	850.56	2	Misc Grain,Seed,Fruit	1,888.46	2	Furniture And Bedding	582.99
3	Italy	5,269.44	3	Germany	752.07	3	Wood	1,704.79	3	Salt;Sulfur;Earth,Stone	514.44
4	Brazil	4,755.36	4	India	576.39	4	Woodpulp, Etc.	1,588.79	4	Mineral Fuel, Oil Etc	512.99
5	United Kingdom	4,563.09	5	Italy	506.30	5	Food Waste; Animal Feed	1,242.56	5	Beverages	464.63
6	France	3,708.44	6	Turkey	341.25	6	Cereals	955.18	6	Wood	424.33
7	Turkey	3,606.74	7	France	340.45	7	Plastic	627.36	7	Vehicles, Not Railway	418.59
8	Germany	2,935.96	8	Canada	257.13	8	Paper,Paperboard	605.66	8	Plastic	412.16
9	Morocco	2,889.59	9	Spain	256.49	9	Iron And Steel	504.75	9	Rubber	384.45
10	India	2,660.58	10	Netherlands	245.03	10	Machinery	444.08	10	Fertilizers	376.18

Trade Lanes

Top U.S. Ports

	Export	Import
Africa	4,202.90	258.78
Asia, Northeast	12,945.79	2,273.27
Asia, Southeast	1,363.43	668.40
Caribbean	250.83	184.78
Central AM	211.96	77.66
Europe, North	23,046.03	2,575.22
India & Others	2,906.87	665.40
Mediterranean	11,826.27	1,293.89
Middle East	709.80	147.94
North America	450.85	268.58
Oceania	67.91	53.87
South America	5,509.02	1,541.99

1	Houston, TX	162,971.09
2	New Orleans, LA	107,144.20
3	Los Angeles, CA	76,190.61
4	Port of Virginia	73,501.44
5	Port Arthur, TX	61,361.41
6	Gramercy, LA	59,822.12
7	Newark, NJ	55,053.27
8	Long Beach, CA	48,954.85
9	Corpus Christi, TX	43,067.41
10	Morgan City, LA	32,705.57

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

The Port of Virginia

2013 Total Cargo in Thousands of Metric Tons

Top 10 Trading Partners

Exports		Imports		Top 10 Commodities	
				Exports	Imports
1 China	6,661.86	1 China	1,713.29	1 Mineral Fuel, Oil Etc	45,231.60
2 Netherlands	5,346.42	2 Brazil	771.62	2 Misc Grain,Seed,Fruit	1,713.20
3 Italy	4,780.40	3 Germany	682.27	3 Wood	1,546.57
4 Brazil	4,314.04	4 India	522.89	4 Woodpulp, Etc.	1,441.34
5 United Kingdom	4,139.61	5 Italy	459.31	5 Food Waste; Animal Feed	1,127.24
6 France	3,364.27	6 Turkey	309.58	6 Cereals	866.53
7 Turkey	3,272.01	7 France	308.86	7 Plastic	569.13
8 Germany	2,663.48	8 Canada	233.26	8 Paper,Paperboard	549.45
9 Morocco	2,621.42	9 Spain	232.69	9 Iron And Steel	457.91
10 India	2,413.66	10 Netherlands	222.29	10 Machinery	402.87

Trade Lanes

	Export	Import
Africa	3,812.84	234.77
Asia, Northeast	11,744.34	2,062.30
Asia, Southeast	1,236.90	606.37
Caribbean	227.55	167.63
Central AM	192.29	70.45
Europe, North	20,907.22	2,336.22
India & Others	2,637.09	603.65
Mediterranean	10,728.72	1,173.81
Middle East	643.92	134.21
North America	409.01	243.66
Oceania	61.61	48.87
South America	4,997.75	1,398.88

Top U.S. Ports

1 Houston, TX	147,846.40
2 New Orleans, LA	97,200.58
3 Los Angeles, CA	69,119.67
4 Port of Virginia	66,680.07
5 Port Arthur, TX	55,666.71
6 Gramercy, LA	54,270.27
7 Newark, NJ	49,944.00
8 Long Beach, CA	44,411.55
9 Corpus Christi, TX	39,070.50
10 Morgan City, LA	29,670.29

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

The Port of Virginia

2013 Total Cargo in Millions of U.S. Dollars

Top 10 Trading Partners

Exports		Imports		Top 10 Commodities	
				Exports	Imports
1	China	2,877.84	7,644.23	1 Machinery	5,419.05
2	Germany	2,355.99	4,899.45	2 Plastic	2,051.48
3	Brazil	2,101.07	2,555.22	3 Pharmaceutical Products	1,686.80
4	Belgium	1,565.31	2,247.40	4 Electrical Machinery	1,274.24
5	United Kingdom	1,429.02	2,192.81	5 Organic Chemicals	1,207.23
6	Netherlands	1,423.17	1,918.38	6 Vehicles, Not Railway	1,096.84
7	Saudi Arabia	1,159.20	1,284.60	7 Tobacco	1,057.42
8	Japan	1,143.47	1,228.86	8 Misc Grain, Seed, Fruit	1,000.25
9	India	1,060.96	1,127.62	9 Misc. Chemical Products	877.12
10	United Arab Emirates	718.70	761.06	10 Railway	832.23

Trade Lanes

	Export	Import
Africa	1,837.55	601.44
Asia, Northeast	5,229.91	10,427.33
Asia, Southeast	1,867.94	2,989.87
Caribbean	257.92	159.81
Central AM	312.99	284.33
Europe, North	10,683.17	12,335.28
India & Others	1,615.66	3,024.65
Mediterranean	1,418.72	4,309.15
Middle East	2,647.27	400.68
North America	51.81	108.67
Oceania	357.10	49.36
South America	3,286.06	2,689.23

Top U.S. Ports

1	Los Angeles, CA	285,441.67
2	Houston, TX	168,338.08
3	Newark, NJ	146,797.62
4	Long Beach, CA	109,303.57
5	Savannah, GA	70,933.69
6	Port of Virginia	66,945.91
7	Charleston, SC	65,140.40
8	New Orleans, LA	58,797.06
9	Baltimore, MD	52,592.38
10	New York, NY	49,739.21

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.

*7 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
Sworn Officers/ Security Personnel	93	97	82	81	49	42	39
Marketing/Economic Development Personnel	26	6	6	8	9	13	18
Port Promotions Personnel	6	6	5	6	5	2	-
Engineering & Acquisition Personnel	7	9	8	8	7	7	8
Administrative Personnel	20	28	23	23	22	17	18
Agency Totals	152	146	124	126	92	81	83

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

Source and Use Data

For the Fiscal Year Ended June 30, 2014

Operating Revenues	\$88,013,649	70%	Operating Expenses	\$123,905,807	83%
Non-operating Revenues	<u>38,077,601</u>	30%	Non-operating Expenses	<u>25,384,257</u>	17%
Total Revenues	<u>\$126,091,250</u>		Total Expenses	<u>\$149,290,064</u>	

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

Of the operating revenues, \$75.1 million or 85.2% are operating transfers from the net cash flows of Virginia International Terminals. Their tariff rates are published at <http://www.vit.org/Rates.aspx>. Currently 81.5% 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.

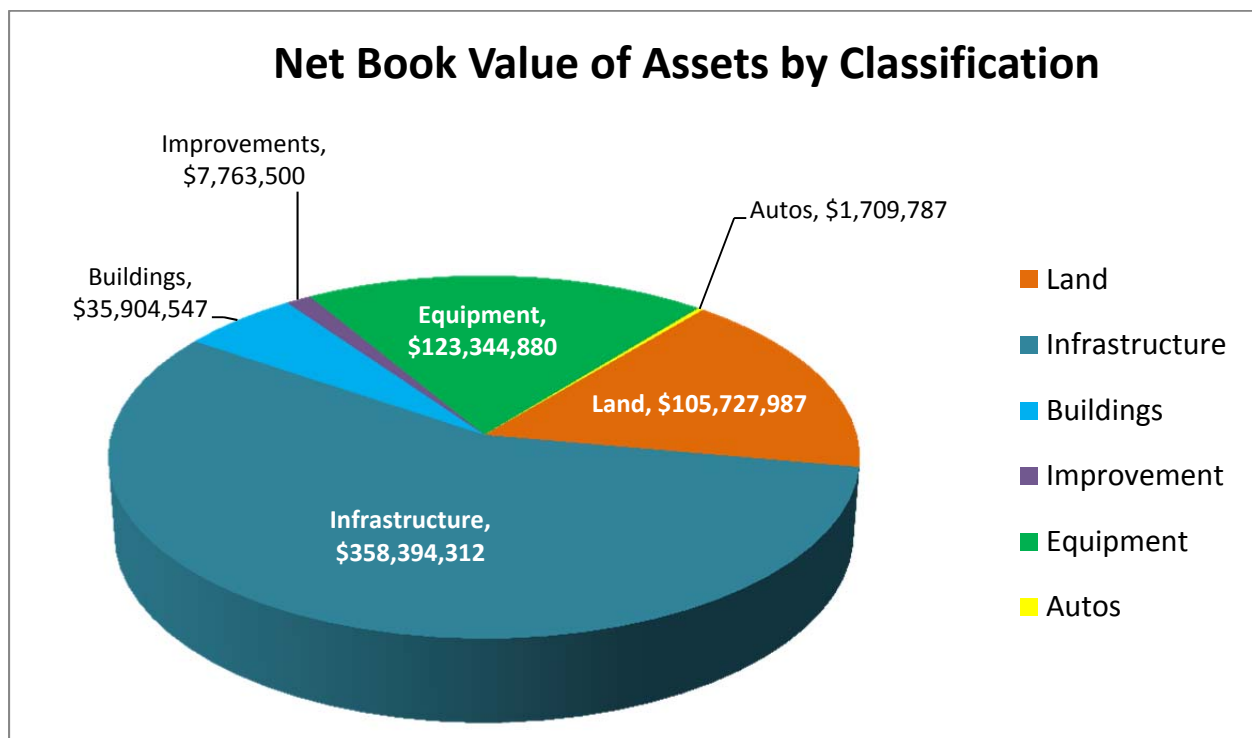
Capital Assets
Last Ten Fiscal Years

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Terminals Operated (total)	4	4	4	4	4	4	5	6	6	6
Owned	4	4	4	4	4	4	4	4	4	4
Leased	-	-	-	-	-	-	1	2	2	2
Land (acres)	1,169	1,169	1,169	1,169	1,235	1,235	1,509	1,630	1,630	1,592
Berth/Wharf (linear feet)	11,815	11,815	11,815	12,715	12,715	13,385	18,500	20,084	20,084	18,439
Rail Track (linear feet)	169,940	169,940	169,940	169,940	169,940	169,940	187,457	187,457	187,457	177,020
On-Terminal Warehouse (sq ft)	3,084,471	3,084,471	1,934,471	1,934,471	1,934,471	1,934,471	2,223,000	2,523,105	2,523,105	2,614,105
Net Book Value of Capital Assets	\$ 593,253,039	\$ 636,385,129	\$ 691,269,662	\$ 770,489,120	\$ 831,940,446	\$ 807,914,423	\$ 831,837,418	\$ 806,878,937	\$ 774,702,026	\$ 741,755,632
Construction in Process	175,764,112	90,207,100	114,505,562	135,592,358	145,171,046	120,710,300	155,582,264	110,007,113	109,246,220	108,910,617
Land	96,478,044	97,625,560	97,625,560	97,625,560	97,625,560	97,423,841	100,168,191	105,727,987	105,727,987	105,727,987
Buildings and Infrastructure	384,170,742	447,441,242	505,156,092	574,142,858	598,714,860	634,804,016	643,196,459	715,389,412	715,772,002	716,906,543
Equipment	148,114,951	237,716,679	242,797,466	254,434,039	319,554,178	314,998,205	326,526,331	269,181,526	280,120,829	286,574,672
Depreciation (Accumulated)	(211,274,809)	(236,605,453)	(268,815,018)	(291,305,695)	(329,125,198)	(360,021,939)	(393,635,827)	(393,427,101)	(436,165,011)	(476,364,187)



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-three point three percent (73.3%) 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 19.5% 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 (5.7%), improvements (1.2%) and autos (0.3%).



This chart excludes Construction in Progress (\$109M) 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 Years 2005 Through 2014

	W/ Cumulative Adjts									
	2005 Restated	2006 Restated	2007 Restated	2008 Restated	2009 Restated	2010 Restated	2011 Restated	2012 Restated	2013 Restated	2014
Operating Revenues:										
Terminal operating revenues	\$ 202,674,827	\$ 226,009,758	\$ 244,205,984	\$ 254,132,812	\$ 203,909,927	\$ 203,485,054	\$ 277,856,791	\$ 297,835,649	\$ 339,460,135	\$ 388,714,148
Other revenues	2,239,387	2,997,586	4,946,483	6,048,718	4,707,316	4,742,948	6,274,000	6,519,292	7,970,579	7,762,729
Operating revenues -Grants	-	-	-	-	-	-	-	-	4,903,439	5,192,084
Total operating revenues	204,914,214	229,007,344	249,152,467	260,182,530	208,617,243	208,227,902	284,130,791	304,354,941	352,334,153	396,668,961
Operating Expenses:										
Terminal operations	106,555,699	109,804,658	115,428,213	120,459,517	99,327,311	91,215,794	121,983,405	128,782,659	153,682,077	176,243,834
Terminal maintenance	37,506,747	46,192,550	46,495,513	53,257,263	45,593,108	44,018,197	54,745,598	54,936,881	70,958,589	92,160,744
General and administrative	31,050,678	33,850,395	38,398,898	41,301,275	40,210,132	43,951,276	47,905,140	51,903,912	43,556,452	46,063,032
Facility Rental	-	-	-	-	-	-	32,538,640	37,063,827	47,229,466	52,479,613
Depreciation and amortization	27,689,970	34,293,438	38,055,495	40,465,985	43,843,327	48,445,163	50,446,418	48,965,876	47,654,476	46,284,256
Total operating expenses	(202,803,094)	(224,141,041)	(238,378,119)	(255,484,040)	(228,973,878)	(227,630,430)	(307,619,201)	(321,653,155)	(363,081,060)	(413,231,479)
Operating income (loss)	2,111,120	4,866,303	10,774,348	4,698,490	(20,356,635)	(19,402,528)	(23,488,410)	(17,298,214)	(10,746,907)	(16,562,518)
Non-operating revenues (expenses)										
Interest income	3,285,911	4,773,220	8,732,891	6,035,464	2,684,532	1,507,788	1,181,739	1,510,827	333,654	555,518
Interest expense	(15,721,684)	(18,904,395)	(19,249,296)	(18,352,451)	(21,625,430)	(21,386,830)	(23,007,021)	(26,066,078)	(21,663,809)	(20,166,510)
Commonwealth Rail Relocation income (& AR	-	-	1,120,000	20,781,163	-	-	2,014,416	6,375,798	244,424	-
Commonwealth Rail Relocation expenses	-	-	(1,447,474)	(22,102,404)	(28,817,021)	(8,223,576)	(2,272,191)	(6,296,498)	(394,990)	(133,770)
Bond Issue Costs	-	(941,599)	(921,160)	(678,876)	(20,000)	(694,650)	(538,986)	(734,427)	(917,063)	(69,000)
Capital contributions (to) from component unit	-	-	-	-	-	-	-	-	-	11,000
Capital Contribution to City of Norfolk/from oil	(5,000,000)	-	-	-	-	-	-	-	-	-
Transfers to federal government - channel dredg	(7,100,005)	(6,762,000)	-	-	-	-	-	-	-	-
Voluntary Non-Exchange Revenue	-	-	-	-	1,900,000	-	-	-	-	-
Other income (expense)	(56,518)	100,339	166,303	35,590	38,825	7,787	8,996	8,722	-	-
Gain (loss) on disposals	(10,814,457)	(252,956)	(446,302)	(1,017,897)	34,854	(2,093,785)	88,879	(15,266,083)	708,585	2,652
Income (loss) before capital contributions and transfers	(33,295,633)	(17,121,078)	(1,270,690)	(10,600,921)	(64,160,875)	(50,285,794)	(46,012,578)	(57,765,953)	(32,436,106)	(36,362,628)
Capital contributions and transfers										
Commonwealth Port Fund allocation	34,236,656	37,769,900	36,500,057	36,036,914	32,663,448	32,784,966	34,717,391	36,252,985	37,223,718	36,652,218
Proceeds from federal government	1,322,558	840,276	300,787	876,048	16,711,588	6,076,191	12,588,643	4,612,432	3,471,137	626,643
Proceeds (to) from other state agencies	-	-	-	7,388,750	-	-	-	-	-	-
Proceeds (to) from primary government	(419,908)	(325,365)	(173,802)	23,948,420	(155,867)	(105,427)	(261,468)	(297,267)	(158,628)	306,335
Change in Acct princ	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in Net Assets	1,843,673	21,163,733	35,356,352	57,649,211	(14,941,706)	(10,499,295)	4,628,314	(10,914,471)	20,307,393	1,222,568
Net Position - Beginning of Year	342,653,004	344,496,677	365,660,410	401,016,762	458,665,973	443,724,267	433,224,972	437,853,286	422,373,850	442,681,243
Net Position - End of Year	\$ 344,496,677	\$ 365,660,410	\$ 401,016,762	\$ 458,665,973	\$ 443,724,267	\$ 433,224,972	\$ 437,853,286	\$ 426,938,815	\$ 442,681,243	\$ 443,903,811

Restatements include the GASB 65 change for the VPA and a change in Accounting Principal for VIT

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VIRGINIA PORT AUTHORITY

CONTINUING DISCLOSURE AGREEMENT

ANNUAL REPORT

FOR FISCAL YEAR ENDED

JUNE 30, 2014

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

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

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

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

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

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

BASE CUSIP NUMBER: 928075

VIRGINIA PORT AUTHORITY

**Continuing Disclosure Agreement
Annual Report**

**For Fiscal Year Ended
June 30, 2014**

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

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

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

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

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

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

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

TABLE 1 - TAXES APPROPRIATED TO COMMONWEALTH PORT FUND

For each of the biennia ended June 30, 1992, 1994, 1996, 1998, 2000, 2002, 2004, 2006, 2008, 2010, 2012 and 2014 the General Assembly of the Commonwealth of Virginia (the “Commonwealth”) has appropriated the net additional revenues from the tax and fee increases enacted pursuant to Chapters 11, 12 and 15 of the Acts of Assembly, 1986 Special Session, to the Commonwealth’s Transportation Trust Fund (the “Transportation Fund”) and directed the Commonwealth’s Transportation Board to allocate 4.2% thereof to the Commonwealth Port Fund (the “Port Fund”).

The following table sets forth the annual collections of the taxes that have been allocated to the Transportation Trust Fund beginning with the fiscal year ended June 30, 2005.

TRANSPORTATION TRUST FUND STATEMENT OF REVENUE COLLECTIONS FISCAL YEARS 2005 THROUGH 2014

Transportation Trust Fund (in millions)

<u>Fiscal Year</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Retail Sales and Use Tax	\$449.9	\$476.3	\$517.3	\$524.9	\$499.4	\$490.7	\$477.3	\$503.1	\$521.2	526.6
Motor Vehicle Sales and Use Tax ⁽¹⁾	219.3	215.9	215.4	194.3	150.8	162.0	183.6	198.3	201.8	207.4
Motor Fuel Taxes ⁽²⁾	119.1	118.5	118.0	122.4	116.8	115.0	117.7	115.5	123.7	115.0
Motor Vehicle Registration Fees	<u>20.6</u>	<u>21.1</u>	<u>21.3</u>	<u>21.4</u>	<u>21.6</u>	<u>20.8</u>	<u>21.2</u>	<u>21.2</u>	<u>21.7</u>	<u>21.8</u>
Total Transportation Trust Fund Revenues ⁽³⁾	<u>\$808.9</u>	<u>\$831.8</u>	<u>\$872.0</u>	<u>\$863.0</u>	<u>\$788.6</u>	<u>\$788.5</u>	<u>\$799.8</u>	<u>\$838.1</u>	<u>\$868.4</u>	<u>\$870.8</u>

⁽¹⁾ Motor Vehicle Sales and Use Tax and Motor Vehicle Rental Tax.

⁽²⁾ Motor Fuel Tax, Special Fuel Tax, Aviation Special Fuel Tax and Road Tax.

⁽³⁾ Does not reflect investment income credited to such Fund or any Accelerated Revenue

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

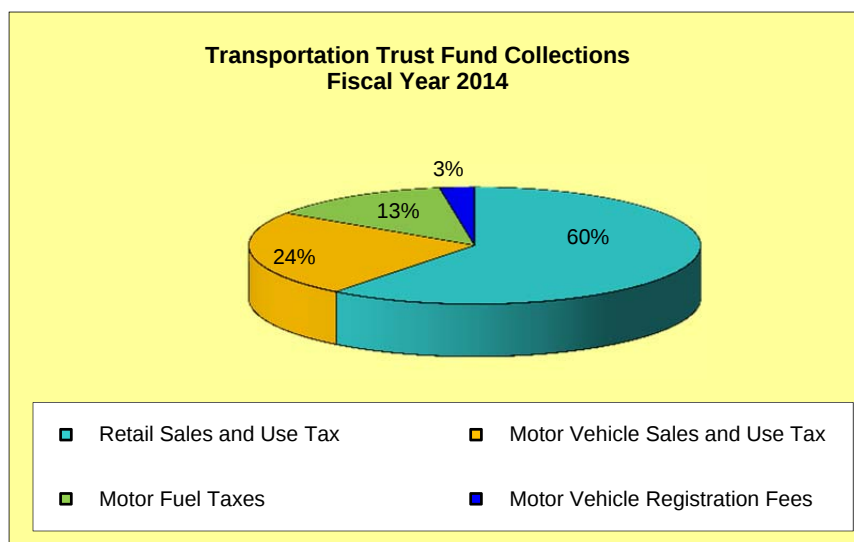


TABLE 2 - NET TRANSFERS TO THE COMMONWEALTH PORT FUND

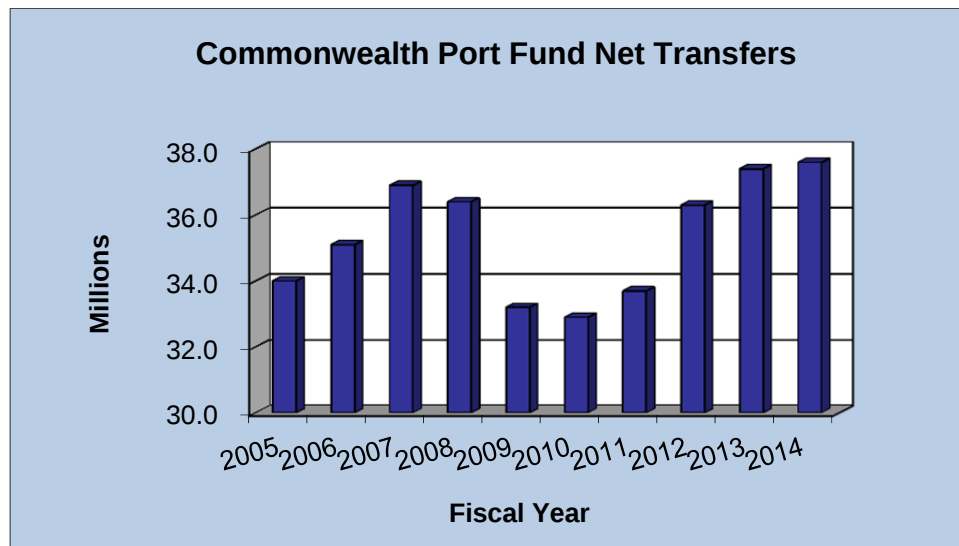
The following table shows the allocation of Transportation Trust Fund revenue to the Port Fund, the interest credited to the Port Fund prior to its transfer to the Income Account under the Authority's Commonwealth Port Fund Revenue Bond Resolution (the "Bond Resolution") and the expenses charged thereto for the fiscal years 2005 through 2014. The net transfers to the Income Account ("Primary Income") are pledged to the payment of bonds issued under the Bond Resolution.

<u>Fiscal Year</u>	<u>Allocation</u> ⁽¹⁾	(+)	<u>Interest Earned</u> ⁽²⁾	(—)	<u>Indirect Expenses</u> ⁽²⁾	(=)	<u>Net Transfers</u>
2005	33,834,570		200,301		47,600		33,987,271
2006	34,785,494		393,119		46,700		35,131,913
2007	36,480,142		421,590		48,300		36,853,432
2008	36,086,327		410,267		48,700		36,477,894
2009	32,966,292		257,621		-		33,223,913
2010	32,716,363		232,650		-		32,949,013
2011	33,450,399		149,292		-		33,599,691
2012	36,101,349		232,501		-		36,333,850
2013	37,200,445		228,015		-		37,428,460
2014	37,340,888		226,124				37,567,012

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

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

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



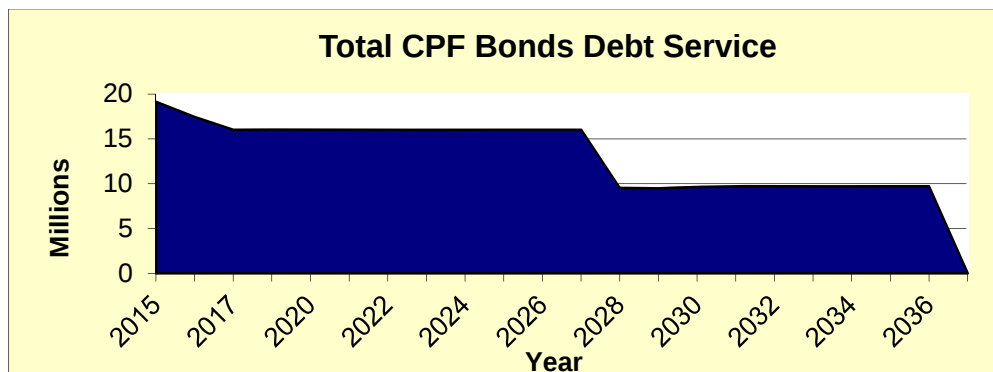
Note: Please see the Commitments and Contingencies section of the Footnotes labeled MOU concerning Transportation Trust Fund Allocation obligations that will begin no earlier than July 1, 2015.

TABLE 3 - DEBT SERVICE REQUIREMENTS AND COVERAGE**Debt Service Requirements**

The following table sets forth for the periods ended each June 30, the amounts required to be made available in each annual period for payment on January 1 of the interest on, and on the following July 1 of the principal (whether at maturity or pursuant to mandatory redemption) of and interest on the Authority's outstanding Commonwealth Port Fund Revenue Bonds, Series 2005 (the "2005 Bonds"), outstanding Commonwealth Port Fund Revenue Refunding Bonds, Series 2006 (the "2006 Bonds"), Commonwealth Port Fund Revenue Bonds, Series 2011 (the "2011 Bonds"), outstanding Commonwealth Port Fund Revenue Bonds, Series 2012, and the debt service on the Commonwealth Port Fund Revenue Refunding Bonds Series 2012-B and 2012-C.

<u>Fiscal Year Ending June 30,</u>	<u>Series 2005 Bonds Debt Service</u>	<u>Series 2006 Bonds Debt Service</u>	<u>Series 2011 Bonds Debt Service</u>	<u>Series 2012 Bonds Debt Service</u>	<u>Series 2012- B Bonds Debt Service</u>	<u>Series 2012- C Bonds Debt Service</u>	<u>Total Bonds Debt Service*</u>
<u>Total</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>
2015	2,026,500	3,118,750	2,868,500	9,055,967	1,841,985	224,150	19,135,852
2016		1,440,075	2,868,500	9,051,727	3,866,801	224,150	17,451,253
2017			2,868,500	9,056,183	3,868,198	224,150	16,017,031
2018			2,868,500	9,060,858	3,868,732	224,150	16,022,240
2019			2,868,500	9,057,183	3,869,700	224,150	16,019,533
2020			2,868,500	9,059,999	3,862,824	224,150	16,015,473
2021			2,868,500	9,054,463	3,870,619	224,150	16,017,732
2022			2,868,500	9,059,515	3,865,973	224,150	16,018,138
2023			2,868,500	9,052,182	3,868,732	224,150	16,013,564
2024			2,868,500	9,056,657	3,868,225	224,150	16,017,532
2025			2,868,500	9,056,269	3,868,985	224,150	16,017,904
2026			2,868,500	9,054,741	3,868,710	224,150	16,016,101
2027			2,868,500	9,054,756	3,866,680	224,150	16,014,086
2028			5,433,500		3,867,516	224,150	9,525,166
2029			5,430,250		3,037,707	1004,150	9,472,107
2030			5,425,750			4,215,750	9,641,500
2031			9,709,750				9,709,750
2032			9,712,500				9,712,500
2033			9,712,000				9,712,000
2034			9,712,500				9,712,500
2035			9,713,000				9,713,000
2036			9,712,500				9,712,500

*Does not include the Refunded Bonds



Debt Service Coverage

Coverage of maximum annual debt service on the 2005, 2006, 2011 and 2012 Bonds by Commonwealth Port Fund Primary Income for the Fiscal Year ended June 30, 2014 is shown below:

Commonwealth Port Fund Primary Income for the Fiscal Year ended June 30, 2014	\$37,567,013
Maximum Annual Debt Service (FY 2015)	\$19,135,852
Pro Forma Maximum Annual Debt Service Coverage.....	1.96

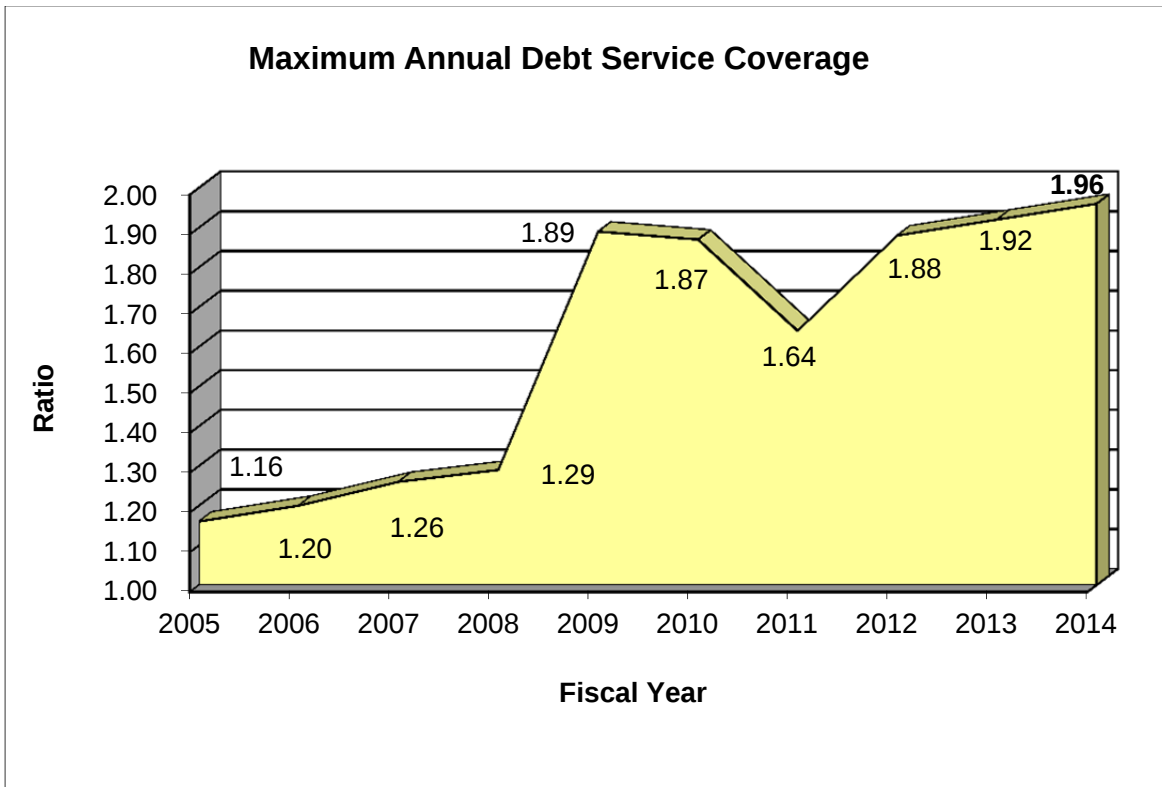


TABLE 4 - AUTHORITY REVENUES AND EXPENSES

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

Fiscal Year	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Special Fund	\$51,674,067	\$85,108,434	\$91,187,281	\$101,471,234	\$88,460,520
Commonwealth Port Fund	33,143,978	38,037,653	39,567,591	36,407,247	39,731,544
General Fund and Other ⁽¹⁾	<u>3,595,647</u>	<u>12,528,168</u>	<u>16,308,868</u>	<u>9,900,445</u>	<u>2,201,158</u>
Total Revenues	<u>88,413,692</u>	<u>135,674,255</u>	<u>147,063,740</u>	<u>147,778,926</u>	<u>130,393,222</u>
Expenses					
Economic Development Services:					
National & International Trade Services	3,819,656	3,761,148	3,968,242	3,439,495	2,809,353
Port Traffic Rate Management	226,108	234,152	-	-	-
Commerce Advertising	707,838	709,688	559,698	469,076	319,643
Port Facilities Planning, Maintenance, Acquisition & Construction:					
Maintenance and Operation of Port Facilities	18,959,218	18,072,782	19,799,331	9,773,168	7,953,557
Port Facilities Planning	625,205	751,266	1,010,574	1,127,590	1,641
Debt Service for Port Facilities	42,984,373	46,158,790	49,920,920	52,319,515	35,902,767
Financial Assistance for Port Activities:					
Agency Service Fee	-	-	-	94	160
Aid to Local Ports	820,168	643,166	1,101,807	720,869	390,189
Payment in Lieu of Taxes	1,022,736	1,017,799	1,094,329	1,138,819	1,524,353
Administration & Support Services:					
General Management & Direction	6,154,384	6,230,119	6,824,650	6,492,465	6,739,974
Facility Rental	-	29,740,480	39,786,987	46,780,747	52,224,628
Security Services	<u>9,263,150</u>	<u>12,039,534</u>	<u>14,280,805</u>	<u>13,188,697</u>	<u>8,317,511</u>
Total Operating Expenditures	<u>84,582,836</u>	<u>119,358,924</u>	<u>138,347,343</u>	<u>135,450,535</u>	<u>116,183,776</u>
Funds Available for Capital Projects	<u>\$3,830,856</u>	<u>\$16,315,331</u>	<u>\$ 8,716,397</u>	<u>\$ 12,328,391</u>	<u>\$ 14,209,446</u>

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

TABLE 5 - CARGO DATA

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

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

	2009	2010	2011	2012	2013
Exports					
Paper and Paperboard	955,164	790,318	925,574	1,070,721	1,069,168
Wood Pulp	466,096	508,539	545,493	699,825	843,103
Soybeans and Products	503,328	530,055	311,957	508,371	813,475
Logs and Lumber	463,015	500,554	511,124	584,624	638,178
Pet and Animal Feeds	N/A	210,462	207,270	215,322	289,134
Imports					
Furniture	351,840	412,284	397,934	479,352	524,312
Auto Parts	151,273	225,555	366,673	479,586	471,108
Woodenware	N/A	157,592	140,877	191,711	213,449
Granite	N/A	117,214	118,584	136,931	197,370
Tobacco	175,739	124,735	129,884	193,412	183,177

* 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

N/A: PIERS data for 2009 is no longer available; tonnage cannot be obtained for commodities that were not previously listed as leading commodities.

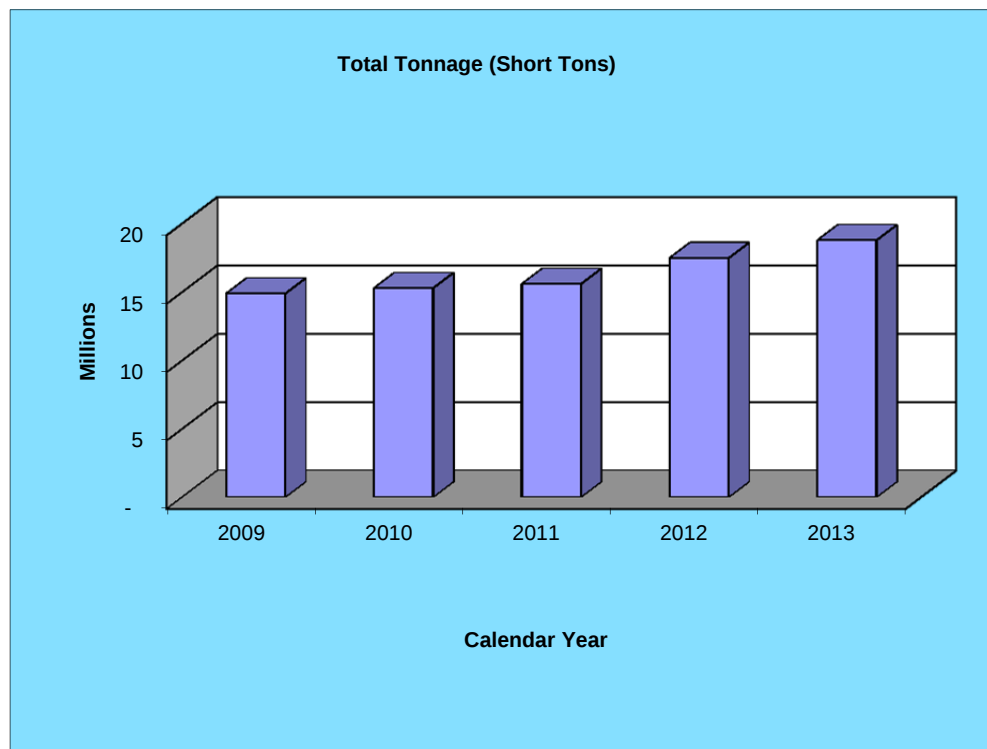
Presented below is information concerning volume of general cargo handled at all facilities that comprise the Port of Virginia.

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Breakbulk	228,905	253,854	347,558	372,144	336,060
Container	<u>14,679,585</u>	<u>15,068,848</u>	<u>15,268,380</u>	<u>17,155,583</u>	<u>18,504,243</u>
Total Tons	<u>14,908,490</u>	<u>15,322,702</u>	<u>15,615,938</u>	<u>17,527,727</u>	<u>18,840,303</u>

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

Source: Terminal Operators' Statistics



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VIRGINIA PORT AUTHORITY

CONTINUING DISCLOSURE AGREEMENT

ANNUAL REPORT

FOR FISCAL YEAR ENDED

JUNE 30, 2014

**PORT FACILITIES REVENUE BONDS,
SERIES 2003**

**PORT FACILITIES REVENUE BONDS,
SERIES 2006**

**PORT FACILITIES REVENUE REFUNDING BONDS,
SERIES 2007**

**PORT FACILITIES REVENUE REFUNDING BONDS,
SERIES 2010**

**PORT FACILITIES REVENUE REFUNDING BONDS,
SERIES 2013**

BASE CUSIP NUMBER: 928077

VIRGINIA PORT AUTHORITY

**Continuing Disclosure Agreement
Annual Report**

**For Fiscal Year Ended
June 30, 2014**

**Port Facilities Revenue Bonds, Series 2003
Port Facilities Revenue Bonds, Series 2006
Port Facilities Revenue Refunding Bonds, Series 2007
Port Facilities Revenue Refunding Bonds, Series 2010
Port Facilities Revenue Refunding Bonds, Series 2013**

Table of Contents

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

TABLE 1 - AUTHORITY REVENUES AND EXPENSES

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

Fiscal Year	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Special Fund	\$51,674,067	\$85,108,434	\$91,187,281	\$101,471,234	\$88,460,520
Commonwealth Port Fund	33,143,978	38,037,653	39,567,591	36,407,247	39,731,544
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Expenses					
Economic Development Services:					
National & International Trade Services	3,819,656	3,761,148	3,968,242	3,439,495	2,809,353
Port Traffic Rate Management	226,108	234,152	-	-	-
Commerce Advertising	707,838	709,688	559,698	469,076	319,643
Port Facilities Planning, Maintenance, Acquisition & Construction:					
Maintenance and Operation of Port Facilities	18,959,218	18,072,782	19,799,331	9,773,168	7,953,557
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Debt Service for Port Facilities	42,984,373	46,158,790	49,920,920	52,319,515	35,902,767
Financial Assistance for Port Activities:					
Agency Service Fee	-	-	-	94	160
Aid to Local Ports	820,168	643,166	1,101,807	720,869	390,189
Payment in Lieu of Taxes	1,022,736	1,017,799	1,094,329	1,138,819	1,524,353
Administration & Support Services:					
General Management & Direction	6,154,384	6,230,119	6,824,650	6,492,465	6,739,974
Facility Rental	-	29,740,480	39,786,987	46,780,747	52,224,628
Security Services	<u>9,263,150</u>	<u>12,039,534</u>	<u>14,280,805</u>	<u>13,188,697</u>	<u>8,317,511</u>
Total Operating Expenditures	<u>84,582,836</u>	<u>119,358,924</u>	<u>138,347,343</u>	<u>135,450,535</u>	<u>116,183,776</u>
Funds Available for Capital Projects	<u>\$3,830,856</u>	<u>\$16,315,331</u>	<u>\$ 8,716,397</u>	<u>\$ 12,328,391</u>	<u>\$ 14,209,446</u>

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

TABLE 2 - VIT REVENUES AND EXPENSES

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

Fiscal Year	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013⁽²⁾</u>	<u>2014</u>
Revenues:					
Operating	\$203,485,054	\$277,860,792	\$297,835,649	\$339,460,135	\$383,714,148
Nonoperating	<u>929,475</u>	<u>480,515</u>	<u>873,907</u>	<u>(148,527)</u>	<u>224,937</u>
Gross Revenues	<u>204,414,529</u>	<u>278,341,307</u>	<u>298,709,556</u>	<u>339,311,608</u>	<u>383,939,085</u>
Expenses:					
Operating & Maintenance Expenses	\$128,799,069	\$168,749,795	\$172,705,671	\$215,133,442	\$259,952,652
Administrative Expenses	<u>26,619,888</u>	<u>30,620,713</u>	<u>32,698,897</u>	<u>27,510,957</u>	<u>29,373,020</u>
Total Expenses	<u>155,418,957</u>	<u>199,370,508</u>	<u>205,404,568</u>	<u>242,644,399</u>	<u>289,325,672</u>
Income Before Transfers and Contributions⁽¹⁾	<u>\$48,995,572</u>	<u>\$78,970,799</u>	<u>\$93,304,988</u>	<u>\$96,667,209</u>	<u>\$94,613,413</u>

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

- (1) The financial information relative to VIT set forth in this table is computed on an accrual basis. As a result, the amounts set forth in the line item “Income Before Transfers and Contributions” does not represent net cash transferred by VIT to the Authority. However, such information is an accurate representation of the financial performance of VIT.
- (2) Due to a change in accounting principle FY 2013 has been restated to reflect the change. Please see note 12 in VIT’s audited statements and note 15 in the VPA’s audited statements for more information.

TABLE 3- OPERATING RESULTS AND DEBT SERVICE COVERAGE

	FY 2010	FY 2011	FY 2012	FY 2013	FY2014
Virginia International Terminals					
VIT Gross Receipts	\$ 193,786,201	\$ 262,193,694	\$ 285,172,289	\$ 319,328,898	\$ 312,014,454
VIT Current Expenses	(147,306,627)	(178,543,458)	(197,617,574)	(222,110,006)	(223,495,865)
VIT CE Reserve (Deposit)/Withdrawal	2,200,000	(900,000)	1,562,000	-	2,595,997
VIT Deposits to CEMA	(1,815,981)	(3,842,153)	(4,701,389)	(4,635,516)	(9,243,097)
Fixed Asset Proceeds/ Expense Credit			385,738	(768,363)	(733,364)
VIT Net Revenue	46,863,593	78,908,083	84,801,064	91,815,013	81,138,125
Virginia Port Authority					
VPA Gross Revenues					
VIT Net Revenue	46,863,593	78,908,083	84,801,064	91,815,013	81,138,125
Other Income	9,430,005	6,126,614	6,357,859	8,881,695	6,924,491
Interest Income	44,490	73,737	28,359	98,956	9,066
Total VPA Gross Revenues	56,338,088	85,108,434	91,187,282	100,795,664	88,071,682
VPA Current Expenses	(22,977,885)	(55,359,088)	(65,269,973)	(70,046,960)	(72,577,974)
VPA Net Revenues	33,360,203	29,749,346	25,917,309	30,748,704	15,493,708
VPA CPF for O & M	4,440,626	5,604,072	4,032,026	3,704,328	4,337,882
Debt Service Coverage					
Port Facilities Revenue Bonds					
Net Debt Service	14,174,477	17,780,512	17,343,332	17,571,928	15,113,582
Pledged Net Revenues	35,176,183	33,591,499	30,618,698	35,384,220	24,736,804
Pledged Adjusted Net Revenues	39,616,811	39,195,571	34,650,724	39,088,547	29,074,686
Pledged Net Revenue Coverage	2.48	1.89	1.76	2.01	1.64
Pledged Adjusted Net Revenue Coverage	2.79	2.20	1.99	2.22	1.92

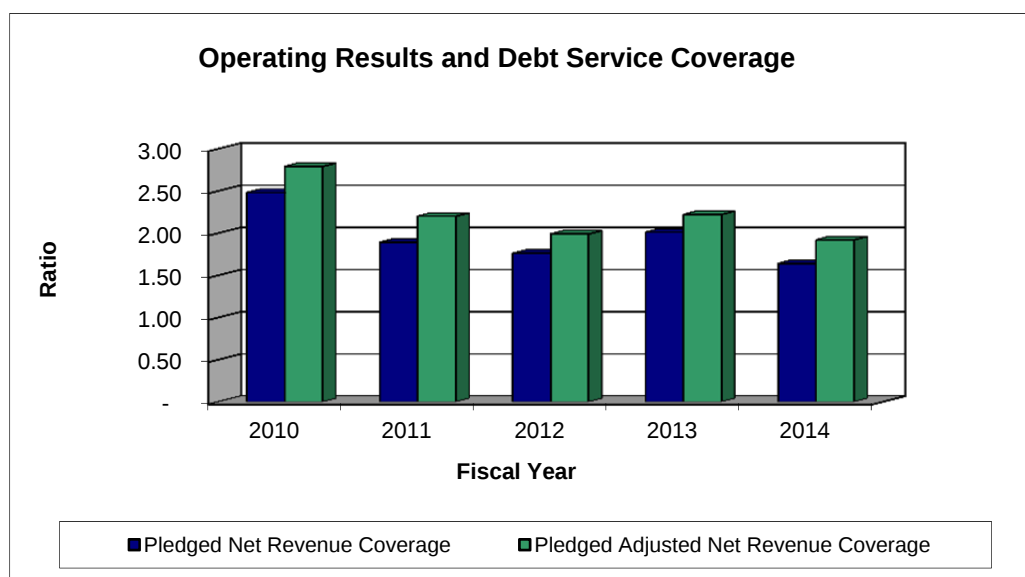


TABLE 4 - DEBT SERVICE REQUIREMENTS

The following table sets forth for the periods ended each June 30 (the end of the Authority's Fiscal Year) the aggregate amounts required to be made available in each annual period for payment on January 1 of the interest on, and on the following July 1 of the principal (whether at maturity or pursuant to mandatory redemption) of and interest on the Authority's outstanding Port Facilities Revenue Bonds, Series 2003, Series 2006, Port Facilities Revenue Refunding Bonds, Series 2007, Port Facilities Refunding Bonds, Series 2010 and Port Facilities Revenue Refunding Bonds, Series 2013.

Outstanding Series 2003 Bonds, Series 2006, Series 2007 Bonds, Series 2010 Bonds and the 2013 Series Bonds

Period Ending June 30,	Series 2003 Debt Service	Series 2006 Debt Service	Series 2007 Debt Service	Series 2010 Debt Service	Series 2013 Debt Service	Total Debt Service
2015	688,275	3,983,188	6,345,750	3,308,319	1,172,501	15,498,033
2016	688,275	3,983,188	6,347,500	4,823,319	1,782,501	17,624,783
2017	688,275	3,983,188	6,345,750	4,822,719	3,288,652	19,128,584
2018	688,275	3,983,188	6,350,250	4,823,969	3,287,680	19,133,362
2019	688,275	3,983,188	6,345,250	4,823,113	3,294,700	19,134,526
2020	688,275	3,983,188	6,345,750	4,822,613	3,289,403	19,129,229
2021	688,275	3,983,188	6,346,000	4,820,813	3,292,097	19,130,373
2022	688,275	3,983,188	6,350,500	4,822,563	3,292,473	19,136,999
2023	688,275	3,983,188	6,343,500	4,824,563	3,290,532	19,130,058
2024	688,275	3,983,188	6,345,000	4,822,163	3,291,274	19,129,900
2025	688,275	3,983,188	6,344,000	4,822,481	3,289,543	19,127,487
2026	688,275	3,983,188	6,350,000	4,819,875	3,285,341	19,126,679
2027	688,275	3,983,188	6,342,000	4,821,900	3,293,666	19,129,029
2028	688,275	3,983,188		4,823,325	10,144,056	19,638,844
2029	3,483,275	11,338,188		4,823,950		19,645,413
2030	3,482,500	11,338,825		4,823,375		19,644,700
2031	3,486,100	11,332,838		4,821,750		19,640,688
2032	3,483,625	11,339,750		4,823,750		19,647,125
2033	3,485,075	11,337,000		4,823,250		19,645,325
2034		14,823,250		4,820,000		19,643,250
2035		14,823,000		4,823,750		19,646,750
2036		14,820,750		4,823,750		19,644,500
2037				4,819,750		4,819,750
2038				4,821,500		4,821,500
2039				4,823,250		4,823,250
2040				4,819,500		4,819,500

TABLE 5 - CARGO DATA

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

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

	2009	2010	2011	2012	2013
Exports					
Paper and Paperboard	955,164	790,318	925,574	1,070,721	1,069,168
Wood Pulp	466,096	508,539	545,493	699,825	843,103
Soybeans and Products	503,328	530,055	311,957	508,371	813,475
Logs and Lumber	463,015	500,554	511,124	584,624	638,178
Pet and Animal Feeds	N/A	210,462	207,270	215,322	289,134
Imports					
Furniture	351,840	412,284	397,934	479,352	524,312
Auto Parts	151,273	225,555	366,673	479,586	471,108
Woodenware	N/A	157,592	140,877	191,711	213,449
Granite	N/A	117,214	118,584	136,931	197,370
Tobacco	175,739	124,735	129,884	193,412	183,177

* 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

N/A: PIERS data for 2009 is no longer available; tonnage cannot be obtained for commodities that were not previously listed as leading commodities.

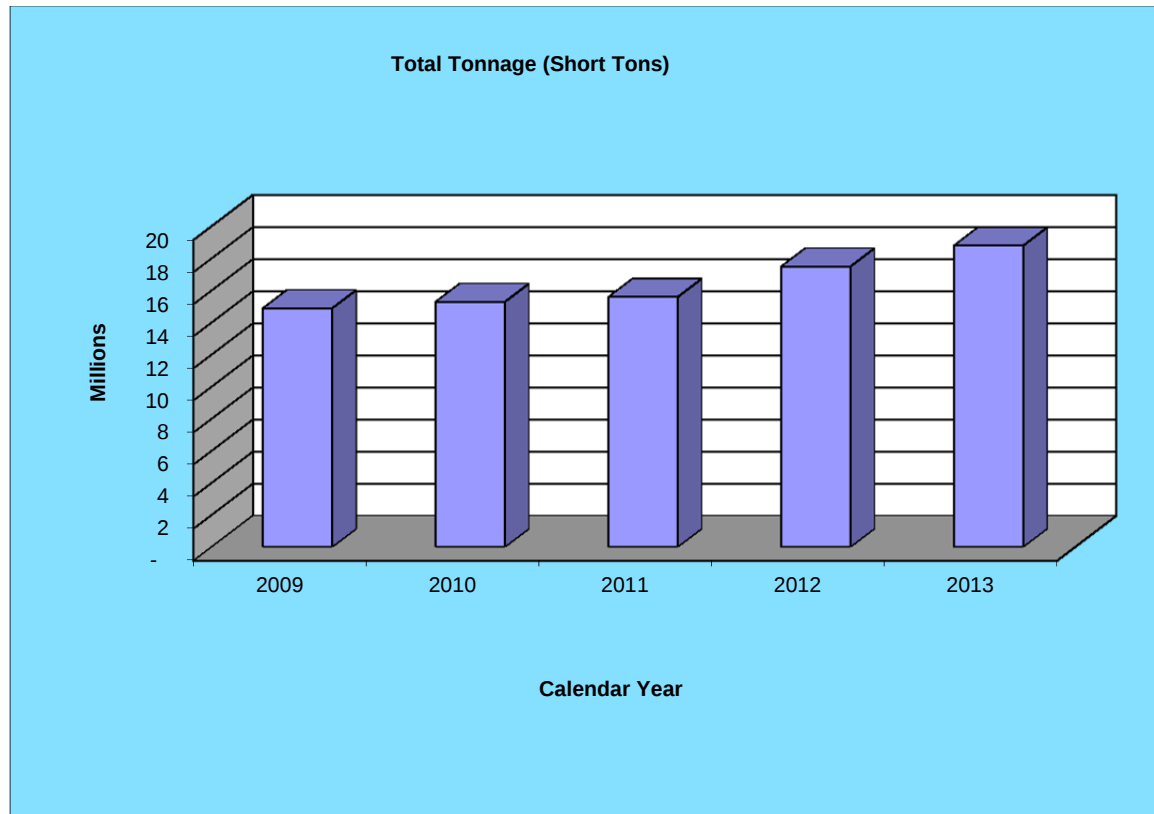
Presented below is information concerning volume of general cargo handled at all facilities that comprise the Port of Virginia.

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Breakbulk	228,905	253,854	347,558	372,144	336,060
Container	<u>14,679,585</u>	<u>15,068,848</u>	<u>15,268,380</u>	<u>17,155,583</u>	<u>18,504,243</u>
Total Tons	<u>14,908,490</u>	<u>15,322,702</u>	<u>15,615,938</u>	<u>17,527,727</u>	<u>18,840,303</u>

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

Source: Terminal Operators' Statistics



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THE PORT OF
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