



Virginia Port Authority

Comprehensive Annual Financial Report
For Fiscal Year Ended June 30, 2005



- TABLE OF CONTENTS -

	<u>Pages</u>
INTRODUCTORY SECTION	
Letter of Transmittal	1 - 5
Board of Commissioners as of fiscal year ended June 30, 2005	6
FINANCIAL SECTION	
Independent Auditor's Report on Financial Statements	7 - 8
Management's Discussion and Analysis	9 - 15
Financial Statements:	
Statement of Net Assets	17 - 18
Statement of Changes in Revenues, Expenses and Changes in Net Assets	19
Statement of Cash Flows	20 - 21
Notes to Financial Statements	23 - 44
STATISTICAL SECTION	
Twenty-foot Equivalent Unit Container Throughput	45
Midwest Rail Container Volume	46
Historical Revenue Comparisons	47
Calendar Year 2004 Key Performance Indicators	48 - 50
COMPLIANCE SECTION	
Continuing Disclosure Agreement Annual Report (Commonwealth Port Fund Revenue Bonds)	51 - 58
Continuing Disclosure Agreement Annual Report (Port Facilities Revenue Bonds)	59 - 65



Virginia Port Authority

Introductory Section





BOARD OF COMMISSIONERS

John G. Milliken, Chairman
E. Massie Valentine, Jr., Vice Chairman
Robert C. Barclay, IV
Joe B. Fleming
Mark B. Goodwin
William M. Grace
Johnny J. Johnson
Virginia M. Murphy
Michael J. Quillen
Ranjit K. Sen
Deborah K. Stearns
Jody M. Wagner, *State Treasurer*

COMMONWEALTH of VIRGINIA

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

J. Robert Bray
Executive Director

October 21, 2005

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

Dear Commissioners:

The Comprehensive Annual Financial Report (CAFR) of the Virginia Port Authority (the Authority) for the fiscal year ended June 30, 2005 is hereby submitted for your review. 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.

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

The enclosed CAFR has been prepared in accordance with guidelines recommended by the Governmental Accounting Standards Board and the Government Finance Officers Association. The CAFR is presented in four sections:

1. **Introductory Section** – This section consists of this letter of transmittal and a list of Board of Commissioners as of fiscal year ended June 30, 2005.

2. **Financial Section** – This section includes the Independent Auditor’s Report on the Authority financial statements for the fiscal year ended June 30, 2005, management’s discussion and analysis, the financial statements for the same period, and the accompanying notes to the financial statements.
3. **Statistical Section** – This section includes selected statistical information and key performance indicator data. Information in this section includes selected cargo-related data, trading partner, and commodity data, as well as comparisons to other U.S. ports.
3. **Compliance Section** – This section includes supplementary information required for compliance with Security Exchange Commission Rule 15c2-12 which requires issuers of municipal securities to provide annual updates of selected financial information to a nationally recognized municipal securities information repository. It is the intent of the Authority to file this CAFR with the repositories to meet this requirement.

Overview 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 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 of three marine terminals: Norfolk International Terminals (NIT), Portsmouth Marine Terminal (PMT), and Newport News Marine Terminal (NNMT), and an inland intermodal facility, the Virginia Inland Port (VIP) located in Front Royal, Virginia. These facilities primarily handle import and export containerized, breakbulk, and bulk cargoes.

A Board of Commissioners composed of 12 members manages the Authority. The Commissioners consist of 11 citizens appointed by the Governor in addition to the State Treasurer who is an ex-officio member of the Board. While the Commissioners remain on the Board at the continuing pleasure of the Governor, they serve staggered five-year terms. Commissioners may serve a maximum of two consecutive terms.

In addition to the financial statements of the Authority, Virginia International Terminals, Inc. (VIT) is presented in the Authority's financial statements as a discrete component unit to emphasize that it is legally separate from the Authority, and that it serves or benefits those outside of the Authority. The financial statements of VIT were audited by other auditors.

VIT was established in 1982 to operate the facilities owned by the Authority. VIT is a non-stock, nonprofit corporation and has been determined by the Internal Revenue Service as fulfilling an essential governmental function and therefore enjoys tax-exempt status. VIT operates the state-owned ports through a Service Agreement with the Authority. VIT has a seven-member board of directors. Six members come from the port area and serve a single six-year term. The Executive Director of the Virginia Port Authority is a permanent member of the VIT Board. The Virginia Port Authority Board of Commissioners makes appointments to the VIT Board. The VIT budget is prepared annually and approved by the VPA Board of Commissioners prior to July 1 of each fiscal year.

Major Initiatives and Accomplishments

1. **TEU (twenty-foot equivalent container unit) volume and increase from fiscal year (FY) 2004:**

FY2004 1,713,502
FY2005 1,900,026 = 10.9% Increase

2. **Increase in rail volume in fiscal year 2005:**

FY 2004 171,678 Containers
FY 2005 196,726 Containers = 14.6% Increase

Change in rail container throughput for the Virginia Inland Port:

FY 2004 20,826 Containers
FY 2005 31,604 Containers = 51.8% Increase

3. **Empty Container Depots:**

Designed and constructed two empty container depots with a total capacity of 8,000 TEUs. The empty yards freed-up an equal amount of valuable existing terminal space.

4. **Centralized Chassis Pool:**

Implemented a port wide chassis pool to consolidate ship line owned chassis in order to improve the safety of the equipment, save time for truckers, and to free up valuable terminal land. The centralized pool includes 16,000 chassis. In January 2005, 2,000 chassis were identified for removal from the terminal. This is the first centralized chassis pool in the U.S. and has been applauded by the truckers and the ship lines.

5. **New shipline services:**

Amerigo Express Service: CMA-CGM/CSCL/ANL/Hapag-Lloyd/Zim/Lloyd Triestino (Transatlantic)

Round-the-World Service: Norasia/CSCL/Zim/CMA-CGM

ECAS Service: Hanjin/"K"Line/MOL/Zim (US-Caribbean-Central America)

Mediterranean Express Service: Maersk Sealand/Hapag-Lloyd (Transatlantic)

TA3/Andean Service: Maersk Sealand (US-Caribbean-Central America)

6. **New or expanded distribution centers:**

Wal-Mart Stores, Inc	Morningstar Foods
Cost Plus Inc.	Evans Distribution Systems
International Paper	Ferguson Enterprises, Inc.
Banta Books	Dollar General Corp.
Basic Sportswear	Atlas Cold Storage

7. **Norfolk International Terminal (NIT) – South Improvements:**

Completed three of four sections of wharf reconstruction, the first phase of reconstruction of the area immediately behind the wharf, including the demolition of three warehouses and repaving for container storage, and the receipt of eight Suez-class container cranes, the largest container cranes in the world.

8. **Command and Control Center:**

Completed the construction of a Command and Control Center building to house surveillance and WMD monitoring equipment, dispatch facilities, and administrative functions to allow port police to secure the Authority's cargo terminals from potential terrorist attack and other criminal activity.

Internal Controls

The management of the Virginia Port Authority is responsible for establishing and maintaining internal controls over its operations. The Authority's internal controls are designed to provide management with 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. The concept of reasonable assurance recognizes that the costs of a control should not exceed the benefits likely to be derived therefrom and that the evaluation of the costs and benefits requires certain estimates and judgements by management.

All internal control evaluations occur within the above framework. Authority management strongly believes that the inherent financial accounting controls coupled with the ongoing independent financial audit performed by the Authority's independent financial auditors, the Auditor of Public Accounts, as well as numerous other audit functions performed by several governmental agencies, adequately safeguard assets and provide reasonable assurance of properly recorded financial transactions.

Financial Overview

The Virginia Port Authority has one fund to which all accounts are organized and accounted for as a single reporting entity, known as an Enterprise Fund. Enterprise funds are used to account for proprietary operations that are financed and operated in a manner similar to private business operations where the intent of the governing body is that all operating costs, i.e. expenses exclusive of depreciation, are funded primarily through user charges. The Authority's primary source of funding for its operations is through the net revenues generated from terminal operations and subsequently transferred from VIT and one lease in which the Authority assesses lease charges against the tenant of that property.

The Management Discussion and Analysis and the Basic Financial Statements, included in the Financial Section of this CAFR, are designed to provide the reader with a thorough understanding of the Authority's financial activities.

Budget

As a political subdivision of the Commonwealth of Virginia, the Virginia Port Authority is included in the Commonwealth's budget. Authority staff prepares and submit budget requests for each upcoming biennium to the Department of Planning and Budget (DPB) and the Governor based on expected revenues and expenses. The Governor submits the recommended budget for the Commonwealth to the General Assembly.

The General Assembly enacts appropriations for each year of a biennium for operating and capital expenditures. These appropriations provide summary expenditure limitations and are printed in the Appropriation Act. The appropriations are effective on July 1 of each year. The Authority Board of Commissioners gives final approval of the detailed budget prior to July 1.

Risk Management

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.

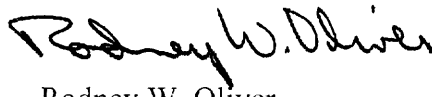
In accordance with the service agreement between VIT and the Authority, VIT maintains property and liability insurance on all terminal equipment and facilities. The Authority maintains property and liability insurance only on non-terminal assets and facilities. The Authority also maintains general liability, fiduciary liability, worker's compensation insurance and an umbrella policy.

Acknowledgements

Preparation of the Comprehensive Annual Financial Report (CAFR), as always, represents the combined effort of the entire Finance Department of the Virginia Port Authority and the Auditor of Public Accounts. Finally, we express our deepest appreciation to the members of the Virginia Port Authority Board of Commissioners for their continued guidance and leadership towards ensuring the fiscal integrity of the Virginia Port Authority.

Respectfully Submitted,


J. Robert Bray
Executive Director


Rodney W. Oliver
Director of Finance and
Treasurer to the Board

VIRGINIA PORT AUTHORITY

Norfolk, Virginia

BOARD OF COMMISSIONERS

John G. Milliken, Chairman

E. Massie Valentine, Jr., Vice Chairman

Robert C. Barclay IV
Mark B. Goodwin
William M. Grace
Jonathan Johnny Johnson

Ronald W. Massie
Michael Jack Quillen
Ranjit K. Sen
Deborah K. Sterns

Jody M. Wagner, State Treasurer
(ex-officio member of the Board)

J. Robert Bray, Executive Director

Rodney W. Oliver, Treasurer to the Board

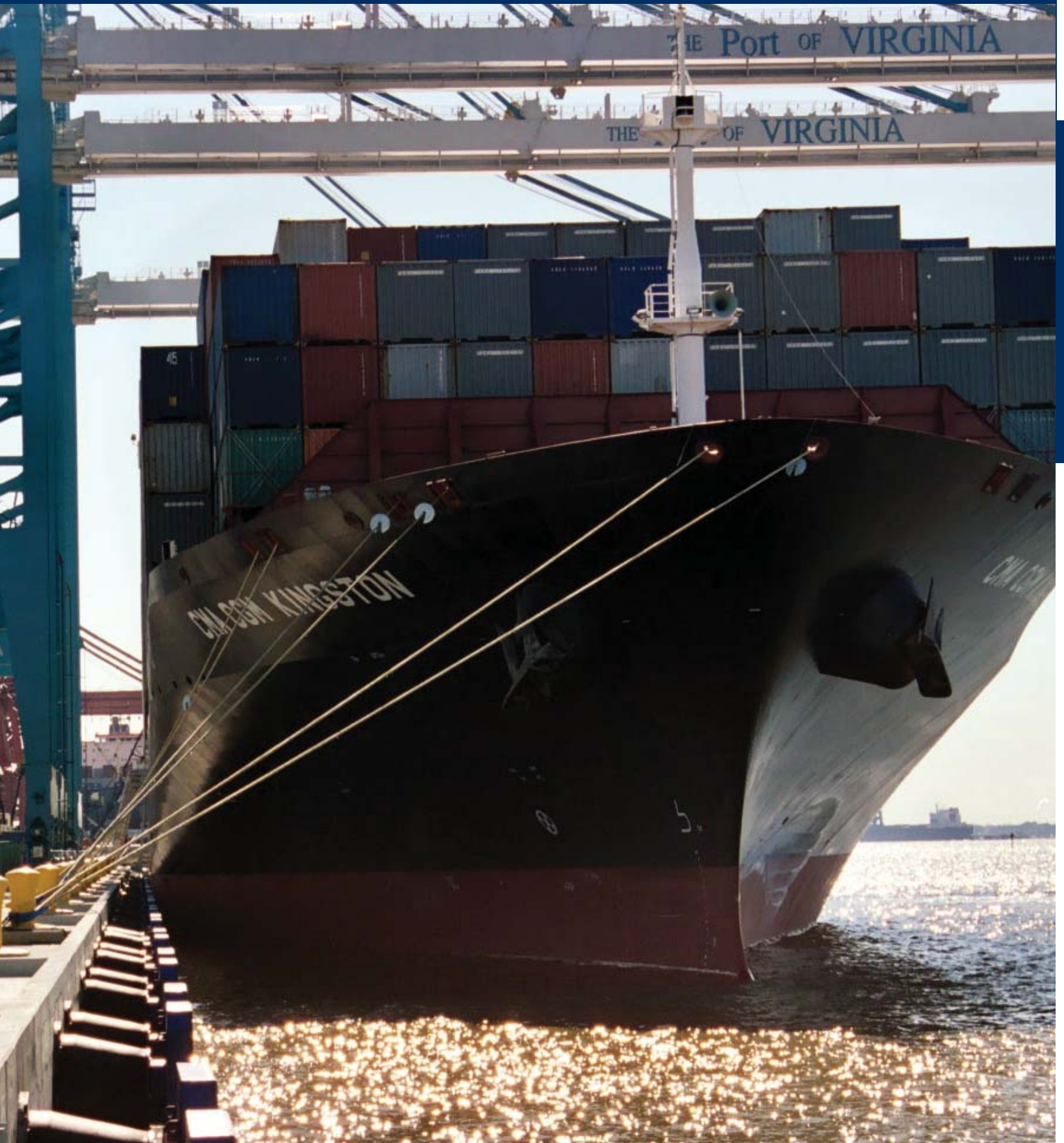
Debra J. McNulty, Clerk to the Board

Jodie L. Asbell, Deputy Clerk to the Board



Virginia Port Authority

Financial Section





Commonwealth of Virginia

Walter J. Kucharski, Auditor

Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

October 12, 2005

The Honorable Mark R. Warner
Governor of Virginia

The Honorable Lacey E. Putney
Chairman, Joint Legislative Audit
and Review Commission

Board of Commissioners
Virginia Port Authority

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the **Virginia Port Authority**, a component unit of the Commonwealth of Virginia, and its discretely presented component unit, as of and for the year ended June 30, 2005, which collectively comprise the Port Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Port Authority's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Virginia International Terminals, Inc., a component unit of the Port Authority, which is discussed in Note 1. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amount included for the component unit of the Port Authority is based on the reports 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Virginia Port Authority and of its discretely presented component unit as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Honorable Mark R. Warner
The Honorable Lacey E. Putney
Board of Commissioners
October 12, 2005
Page Two

The Management's Discussion and Analysis on pages 7 through 8 is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Virginia Port Authority's basic financial statements. The introductory section, the statistical section, and the compliance section are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The introductory section, the statistical section, and the compliance section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with Government Auditing Standards, we have also issued our report dated October 12, 2005 on our consideration of the Port 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 read in conjunction with this report in considering the results of our audit.



AUDITOR OF PUBLIC ACCOUNTS

Njg/kva

VIRGINIA PORT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

(Unaudited)

Our discussion and analysis of the Virginia Port Authority's (the Authority's) financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the Authority's financial statements and notes to financial statements. Virginia International Terminals, Inc. (VIT) is presented in the Authority's financial statements as a discrete component unit to emphasize that it is legally separate from the Authority, and that it serves or benefits those outside of the Authority. The financial statements of VIT were audited by other auditors. VIT's Management Discussion and Analysis is included in those audited financial statements.

ABOUT THE AUTHORITY

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

A Board of Commissioners composed of 12 members manages the Authority. The Commissioners consist of 11 citizens appointed by the Governor in addition to the State Treasurer who is an ex-officio member of the Board. While the Commissioners remain on the Board at the continuing pleasure of the Governor, they serve staggered five-year terms. Commissioners may serve a maximum of two consecutive terms.

FINANCIAL HIGHLIGHTS

- Operating revenues for the Authority were \$43.9 million. Container volume in the port for the fiscal year ended June 30, 2005 was 1.9 million TEU's (twenty-foot equivalent container units), an increase of 10.9% from fiscal year 2004.
- The Authority's net assets decreased by \$6.3 million for the fiscal year ended June 30, 2005.

- The assets of the Authority exceeded its liabilities by \$280.4 million at the fiscal year ended June 30, 2005. Of this amount, \$21.1 million was unrestricted and may be used to meet the Authority's ongoing obligations to creditors.
- The Authority's total assets increased \$63.4 million during fiscal year ended June 30, 2005. The major component of this increase was an increase in capital assets of \$73.6 million offset by a decrease in restricted assets of \$16.7 million.
- The Authority's total liabilities increased \$69.8 million during fiscal year ended June 30, 2005. The major components of this increase was completion of a \$60 million bond issue and \$40 million in equipment lease purchases during the fiscal year, offset by \$19.0 million in principal payments on long-term debt, and a \$16.7 million decrease in accounts payable.
- The Authority converted from governmental fund accounting to enterprise fund accounting during fiscal year 2005 in accordance with Governmental Accounting Standards Board Statement 34. As a result of that conversion, comparative information to prior years is not provided in this discussion and analysis.

OVERVIEW OF THE FINANCIAL STATEMENTS

Governmental accounting policy, practice and procedures fall under the auspices of the Governmental Accounting Standards Board (GASB). The Authority's financial transactions and subsequent statements are prepared according to the GASB Statement 34 reporting model, as mandated by GASB. The purpose of the GASB 34 reporting model is to consolidate two basic forms of governmental accounting, governmental (such as municipalities) and proprietary (those entities which generate their own revenues and therefore are similar to a private business such as the Authority) operations, into statements that give the reader a clearer picture of the financial position of the government as a whole. The Authority is considered a proprietary form of government and its financial transactions are recorded in a single Enterprise Fund.

As stated above, the Authority operates as a single Enterprise Fund with one component unit, Virginia International Terminals, Inc. (VIT). The financial statements are prepared on the accrual basis of accounting, therefore revenues are recognized when earned and expenses are recognized when incurred. Capital assets, except land, are capitalized and depreciated over their useful life. Please refer to Note 1 in the accompanying notes to the financial statements for a summary of the Authority's significant accounting policies. Following this MD&A are the basic financial statements and supplementary information of the Authority. These statements and the information, along with the MD&A are designed to provide readers with a complete understanding of the Authority's finances.

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

Statement of Net Assets

The Statement of Net Assets presents the financial position of the Authority at the end of the fiscal year. The statement includes all assets and liabilities of the Authority. Net assets, the difference between total assets and total liabilities, is an indicator of the current fiscal health of the organization and the Authority's financial position over time. A condensed summary of the Authority's assets, liabilities, and net assets at June 30, 2005 is as follows:

Net Assets (in Millions)	
	<u>2005</u>
ASSETS:	
Current assets	\$ 54.0
Noncurrent assets	708.2
Total assets	<u>762.2</u>
LIABILITIES:	
Current liabilities	45.1
Noncurrent liabilities	436.7
Total liabilities	<u>481.8</u>
NET ASSETS:	
Invested in capital assets, net of debt	202.3
Restricted net assets	65.4
Unrestricted	12.7
Total net assets	<u>280.4</u>
Total liabilities and net assets	<u>\$ 762.2</u>

The largest portion of the Authority's net assets (72.15% at June 30, 2005) represents its investment in capital assets (e.g. land, buildings, infrastructure, improvements, and equipment), less the related debt outstanding used to acquire those capital assets. The Authority uses these capital assets to provide services to major steamship lines and their agents for movement of maritime cargo; consequently these assets are not available for future spending. Although the Authority's investment in capital assets reported is shown net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations and appropriation, since the capital assets themselves generally are not sold to liquidate liabilities.

An additional portion of the Authority's net assets (23.32% at June 30, 2005) represents resources that are subject to external restrictions on how they can be used under bond resolutions and federal regulations. The remaining unrestricted net assets (4.53% at June 30, 2005) may be used to meet any of the Authority's ongoing obligations.

Consolidated Statement of Revenues, Expenses, and Changes in Net Assets

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the Authority's operations and can be used to determine whether the Authority's fiscal condition has improved or worsened during the year. A summary of the Authority's revenues, expenses, and changes in net assets for the year ended June 30, 2005 is as follows:

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

	<u>2005</u>
Operating revenues:	
Other revenues	\$ 2.2
Operating revenues from component unit	41.7
Total operating revenues	<u>43.9</u>
Operating expenses:	
Terminal operations	2.1
Terminal maintenance	4.2
General and administrative	15.9
Depreciation and amortization	22.8
Total operating expenses	<u>45.0</u>
Operating income (loss)	<u>(1.1)</u>
Non-operating:	
Interest income	2.5
Interest & other expense	(15.8)
Loss on disposal	(10.7)
Loss before capital contributions and transfers	<u>(25.1)</u>
Capital contributions and transfers:	
Commonwealth Port Fund Allocation	34.2
Contributions to component unit, net	(4.2)
Capital contribution to the City of Norfolk	(5.0)
Transfers to federal government – channel dredging	(7.1)
Proceeds from the federal government	1.3
Transfers to Commonwealth of Virginia	(.4)
Increase(decrease) in net assets	<u><u>\$ (6.3)</u></u>

During the fiscal year ended June 30, 2005, operating revenues included a transfer from the Authority's component unit, VIT, of \$41.7 million. Container volume in the port for the fiscal year ended June 30, 2005 was 1.9 million TEU's, an increase of 10.9% from fiscal year 2004. Operating expenses for the fiscal year ended June 30, 2005, were \$45.0 million and included \$22.8 million in depreciation and amortization expenses.

During the fiscal year ended June 30, 2005, net nonoperating revenues and expenses of \$23.9 million included interest expense on long-term debt of \$15.7 million, interest income of \$2.5 million, and a loss on capital asset disposals of \$10.7 million. The loss on capital asset disposal was primarily due to the demolition (and reconstruction) of the wharf at NIT, which was not fully depreciated at the time of disposal.

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.

Contributions to component unit, net, included operating transfers to VIT to fully fund bond resolution reserve requirements, net of leasehold improvements made by VIT and transferred to the Authority.

During the fiscal year ended June 30, 2005, the Authority contributed \$5 million to the City of Norfolk to partially fund the construction of a cruise facility.

During the fiscal year ended June 30, 2005, the Authority incurred \$7.1 million in expenses for dredging the Hampton Roads federal channel to a depth of 50ft. (During the fiscal year ended June 30, 2003 the Authority recorded revenue and received \$17.5 million from the Priority Transportation Fund to fund the Commonwealth's portion of this two-year, U.S. Army Corps of Engineers project.) To date expenses for the project total \$7.7 million.

During the fiscal year ended June 30, 2005, the Authority received approximately \$1.3 million in federal grant funds that were used for security related capital expenditures.

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>2005</u>
Cash flow from operating activities	\$ 7.0
Cash flow from noncapital financing activities	(.4)
Cash flow from capital and related financing activities	(18.9)
Cash flow from investing activities	<u>37.8</u>
Net increase in cash and cash equivalents	25.5
Cash and cash equivalents	
Beginning of year	<u>28.0</u>
End of year	<u><u>\$ 53.5</u></u>

The Authority's available cash and cash equivalents increased from \$28.0 million at the end of 2004 to \$53.5 million at the end of 2005 due to positive cash flow from operating and investing activities offset by the use of funds for capital acquisitions and related noncapital financing activities.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The Authority's investment in capital assets as of June 30, 2005, amounted to \$593.3 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 \$69.2 million on the renovation of NIT South, including progress payments on the acquisition of eight Suez-class container cranes.
- Additional paving of NIT North at a cost of \$4.9 million.
- Progress payments on the acquisition of 35 new straddle carriers totaling \$9.6 million.
- Security improvements at all terminals totaling \$6.7 million, including the construction of security related facilities at NIT and PMT.
- Capitalized interest (net of capitalized income) of \$4.0 million was added to the cost of capital assets in fiscal year 2005.

Long-term Debt

Bonds. At June 30, 2005, the Authority had \$435.3 million in long-term debt, excluding current maturities. Of this amount, \$392.8 million is in the form of revenue bonds issued by the Authority. During 2005, the Authority issued \$60 million in new bonds, primarily to fund improvements to the container and rail yards at NIT, crane improvements, and the acquisition of land.

Commonwealth Port Fund Revenue bonds issued in 1996, 1998, 2002, and 2005 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 a AA+ rating from Fitch Ratings, Inc. and Standard and Poor's, and a Aa1 rating from Moody's Investor Services.

Port Facilities Revenue bonds issued in 1997 and 2003 are supported by terminal revenues and MBIA insurance policies and carry underlying ratings of A from Fitch Ratings, Inc. and Standard and Poor's, and a A1 underlying rating from Moody's Investor Services. With insurance from MBIA the ratings on the bonds are AAA from Fitch Ratings, Inc. and Standard and Poor's, and Aaa 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 2005 was met and exceeded.

Installment purchases. In fiscal year 2004, the Authority established a master equipment lease program for the installment financing of certain equipment. During the fiscal year ended June 30, 2005, the Authority financed the acquisition of three container cranes and 34 straddle carriers at a cost of \$37.4 million under the master equipment lease program.

ECONOMIC FACTORS

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

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 Director of Finance at 600 World Trade Center, Norfolk, VA 23510.

FINANCIAL STATEMENTS

VIRGINIA PORT AUTHORITY
STATEMENT OF NET ASSETS
As of June 30, 2005

	Primary Government	Component Unit		
		Virginia International Terminals, Inc.	Eliminations	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 19,175,067	\$ 3,933,515	\$ -	\$ 23,108,582
Restricted assets:				
Cash and cash equivalents	6,126,305	10,415,881	-	16,542,186
Investments	19,376,107	15,991,706	-	35,367,813
Investments held by Treasurer of VA	490,579	-	-	490,579
Accounts receivable, net	882,648	20,572,920	-	21,455,568
Due from transportation trust	3,955,941	-	-	3,955,941
Due from component unit	3,868,244	-	(3,868,244)	-
Inventories	-	10,022,711	-	10,022,711
Prepaid expenses and other	169,172	11,469,971	-	11,639,143
Total current assets	54,044,063	72,406,704	(3,868,244)	122,582,523
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	28,163,834	-	-	28,163,834
Investments	82,111,092	-	-	82,111,092
Pension plan assets	1,528,365	1,838,656	-	3,367,021
Other	3,086,224	90,346	-	3,176,570
Non-depreciable capital assets	272,242,154	-	-	272,242,154
Depreciable capital assets, net	321,010,883	14,217,670	-	335,228,553
Total noncurrent assets	708,142,552	16,146,672		724,289,224
Total assets	762,186,615	88,553,376	(3,868,244)	846,871,747

VIRGINIA PORT AUTHORITY
STATEMENT OF NET ASSETS
As of June 30, 2005

	Primary Government Authority	Component Unit Virginia International Terminals, Inc.	Eliminations	Total
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	10,122,374	9,092,986	-	19,215,360
Interest payable	9,943,800	-	-	9,943,800
Retainage payable	2,879,551	-	-	2,879,551
Long-term debt - current portion	19,279,488	2,110,536	-	21,390,024
Payroll withholdings	52,880	65,759	-	118,639
Obligations under securities lending	2,799,253	-	-	2,799,253
Due to Authority	-	3,868,244	(3,868,244)	-
Total current liabilities	45,077,346	15,137,525	(3,868,244)	56,346,627
Noncurrent liabilities:				
Long-term debt	435,160,815	-	-	435,160,815
Compensated absences	128,018	1,219,475	-	1,347,493
Workers compensation costs	-	5,237,261	-	5,237,261
Accrued pension obligation	1,403,785	2,132,829	-	3,536,614
Due to subsidiary	-	103,881	-	103,881
Total noncurrent liabilities	436,692,618	8,693,446	-	445,386,064
Total liabilities	481,769,964	23,830,971	(3,868,244)	501,732,691
NET ASSETS				
Invested in capital assets, net of related debt	202,336,198	14,141,808	-	216,478,006
Restricted net assets	65,355,495	26,407,587	-	91,763,082
Unrestricted net assets	12,724,958	24,173,010	-	36,897,968
Total net assets	280,416,651	64,722,405	-	345,139,056
	<u>\$762,186,615</u>	<u>\$ 88,553,376</u>	<u>\$ (3,868,244)</u>	<u>\$846,871,747</u>

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

VIRGINIA PORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2005

	Primary Government	Component Unit Virginia International Terminals, Inc.	Eliminations	Total
Operating Revenues:				
Terminal operating revenues	\$ -	\$ 202,674,827	\$ -	\$202,674,827
Other revenues	2,239,387	-	-	2,239,387
Operating revenues from component unit	41,678,561	-	(41,678,561)	-
Total operating revenues	43,917,948	202,674,827	(41,678,561)	204,914,214
Operating Expenses:				
Terminal operations	2,067,755	104,487,944	-	106,555,699
Terminal maintenance	4,221,083	33,285,664	-	37,506,747
General and administrative	15,941,738	15,108,940	-	31,050,678
Depreciation and Amortization	22,805,086	4,907,826	-	27,712,912
Total operating expenses	45,035,662	157,790,374	-	202,826,036
Operating income (loss)	(1,117,714)	44,884,453	(41,678,561)	2,088,178
Non-operating revenues (expenses)				
Interest income	2,513,724	772,187	-	3,285,911
Interest expense	(15,721,684)	-	-	(15,721,684)
Other expense	(56,518)	-	-	(56,518)
Gain/(loss) on disposals	(10,685,443)	(129,014)	-	(10,814,457)
Income (loss) before capital contributions and transfers	(25,067,635)	45,527,626	(41,678,561)	(21,218,570)
Capital contributions and transfers				
Commonwealth Port Fund Allocation	34,236,656	-	-	34,236,656
Operating transfers to Authority	-	(41,678,561)	41,678,561	-
Operating transfers to component unit	(8,367,186)	8,367,186	-	-
Capital contributions from component unit, net	4,071,724	(4,071,724)	-	-
Capital contribution to City of Norfolk	(5,000,000)	-	-	(5,000,000)
Transfers to federal government - channel dredging	(7,100,005)	-	-	(7,100,005)
Proceeds from federal security grant	1,322,558	-	-	1,322,558
Transfers to primary government	(419,908)	-	-	(419,908)
Increase/(decrease) in Net Assets	(6,323,796)	8,144,527	-	1,820,731
Net Assets - Beginning of Year	286,740,447	56,577,878	-	343,318,325
Net Assets - End of Year	\$280,416,651	\$ 64,722,405	\$ -	\$345,139,056

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

VIRGINIA PORT AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2005

	<u>Authority</u>
Cash flows from operating activities:	
Receipts from customers and users	\$44,523,523
Payments for operating expenses	(32,011,103)
Payments to employees	(5,472,616)
Net cash provided by (used in) operating activities	<u>7,039,804</u>
Cash flows from noncapital financing activities:	
Transfer (to) from Primary Government	(419,908)
Net cash provided by (used in) investing activities	<u>(419,908)</u>
Cash flows from capital and related financing activities:	
Proceeds from long-term debt	102,254,555
Commonwealth Port Fund allocation	34,497,933
Acquisition of capital assets	(106,641,334)
Principal paid on long-term debt	(18,559,348)
Interest paid on long-term debt	(15,105,527)
Payment to dismantle cranes	(426,114)
Proceeds from Federal Government	1,322,558
Proceeds from sale of capital assets	54,500
Transfer to component unit, net	(4,295,462)
Transfer to Federal Government - channel dredging	(7,100,005)
Contribution to City of Norfolk	(5,000,000)
Net cash provided by (used in) capital and related financing activities	<u>(18,998,244)</u>
Cash flows from investing activities:	
Proceeds from sales and maturities	274,465,568
Purchase of investments	(239,095,479)
Interest and dividends received	2,513,724
Net cash provided by (used in) investing activities	<u>37,883,813</u>
Net increase (decrease) in cash and cash equivalents	25,505,465
Cash and cash equivalents at beginning of year	27,959,741
Cash and cash equivalents at the end of period	<u>\$53,465,206</u>

VIRGINIA PORT AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2005

	<u>Authority</u>
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income/(loss)	(\$1,117,714)
Adjustments to reconcile earnings to net cash provided by operating activities:	
Depreciation and amortization	22,805,086
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	418,613
(Increase) decrease in due from VIT	186,962
(Increase) decrease in prepaid expenses	40,761
(Increase) decrease in other noncurrent assets	(756,181)
Increase (decrease) in accounts payable	(16,133,603)
Increase (decrease) in accrued expenses	(688,957)
Increase (decrease) in obligations under securities lending	1,369,958
Increase (decrease) in payroll withholdings and other	914,879
Net cash provided by (used in) operating activities	<u><u>\$7,039,804</u></u>

NOTES TO FINANCIAL STATEMENTS

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Virginia Port Authority became a separate agency in 1952 and assumed responsibility for supervising port operations. A Board of Commissioners composed of 12 members manages the Authority. The Authority's major activities are developing water transportation facilities; providing security services; maintaining ports, facilities, and services; providing public relations and domestic and international advertising; and, with offices in the United States and several foreign countries, developing Virginia's ports through cargo solicitation and promotion throughout the world.

Virginia International Terminals, Inc., (VIT) was incorporated as a nonstock, nonprofit corporation on June 30, 1981, for the purpose of operating all the marine terminals owned by the Authority. In accordance with GASB Statement 39, *Determining Whether Certain Organizations Are Component Units*, for financial reporting purposes, the Authority's reporting entity includes VIT as a component unit organization for which the Authority is financially accountable. The following criteria for financial accountability, as described by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, are present in the relationship between the Authority and VIT: (1) the Authority appoints a voting majority of VIT's governing body; (2) the Authority has the ability to impose its will on VIT; and (3) VIT provides a specific financial benefit to the Authority. VIT is presented in the Authority's financial statements as a discrete component unit to emphasize that it is legally separate from the Authority, and that it serves or benefits those outside of the Authority. VIT is audited by the independent accounting firm Witt Mares Eggleston Smith, PLC. VIT's audit report can be obtained by contacting VIT's Chief Financial Officer at 600 World Trade Center, Norfolk, VA 23510.

Virginia Port Properties, Inc., (VPP) was incorporated as a nonprofit corporation on March 23, 1988, for the purpose of managing all foreign and domestic leases on behalf of the Authority. Because the operations of VPP are an integral part of the Authority, VPP has been included in the Authority's financial statements.

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 over which the Commonwealth exercises or has the ability to exercise oversight authority. The Authority is an integral part of the reporting entity of the Commonwealth of Virginia; accordingly, all funds of the Authority are included in the financial statements of the Commonwealth as a part of the reporting entity.

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Fund Accounting

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.

Basis of Accounting

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.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority has elected to apply the provisions of all relevant pronouncements of FASB that do not contradict or conflict with GASB pronouncements, including those issued after November 30, 1989.

Cash and Cash Equivalents

For the purposes of reporting cash flows, 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.

Inventories

VIT's inventories consist of supplies and equipment parts and are reported using the moving average unit cost method.

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Capital Assets

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

Buildings	3 – 41 years
Improvements	5 – 50 years
Infrastructure	4 – 41 years
Equipment	3 – 36 years

The cost for maintenance and repairs is charged to operations as incurred. When items are retired or otherwise disposed of, the related costs and accumulated depreciation are eliminated from the accounts and any resulting profit or loss on such dispositions is reflected in operations.

Long-Term Obligations

Long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In accordance with paragraph 146 of GASB Statement No. 34, the Authority elected to apply this policy prospectively beginning July 1, 2001.

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, 2005. 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.

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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, 2005. 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 to 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.

Interest Income

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

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

At June 30, 2005, 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 \$14,965,301 in cash and cash equivalents for the Authority.

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

Statutes authorize the investment of funds held by the Authority in obligations of the Commonwealth, federal government, other states or political subdivisions thereof, Virginia political subdivisions, the International Bank for Reconstruction and Development, the Asian Development Bank, and the African Development Bank. In addition, the Authority may invest in prime quality commercial paper rated prime 1 by Moody's Investment Service or A-1 by Standard and Poor's Incorporated, overnight term or open repurchase agreements, and money market funds comprised of investments which are note rated but are otherwise legal investments of the Authority.

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

As of June 30, 2005, the following shows the segmented time distribution of the Authority's investments (not held by the Treasurer):

<u>Investment Type</u>	<u>Fair Value</u>	Investment Maturities (in Years)	
		Less Than 1	1-5
Repurchase Agreements	\$25,662,695	\$18,788,975	\$6,873,720
U.S. Treasuries	1,620,158	1,620,158	-
FHLMC/FNMA	49,450,374	34,216,143	15,234,231
Money-Market/Mutual Funds	24,753,972	587,132	24,166,840
	<u>\$101,487,199</u>	<u>\$55,212,408</u>	<u>\$46,274,791</u>

Interest Rate Risk

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

As of June 30, 2005 the Authority's long-term FHLMC/FNMA securities were rated AAA and the short-term FHLMC/FNMA securities were rated A-1+ by Standard and Poor's Incorporated.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. All of the Authority's \$18.8 million investments in repurchase agreements are collateralized with securities that are approved for direct investment.

Concentration of Credit Risk

The Authority places no limit on the amount it may invest in any one issuer. More than 5 percent of the Authority's investments are in FHLMC and FNMA securities. These investments are 11.2% and 37.4%, respectively, of the Authority's total investments.

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Investments held by the Treasurer of Virginia

Investments held by the Treasurer of Virginia represent the Authority's allocated share of securities received for securities lending transactions held in the General Account of the Commonwealth. Information related to the credit risk of these investments and securities lending transactions held in the General Account is available on a statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

Component Unit – VIT

As of June 30, 2005, Virginia International Terminals, Inc. held restricted cash equivalents and short-term restricted investments.

The following shows the segmented time distribution of the VIT's investments:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Repurchase Agreements	\$11,970,700	\$11,970,700	\$ -	\$ -	\$ -
Certificate of Deposit	1,524,754	1,524,754	-	-	-
U.S. Treasuries	3,379,797	506,895	2,156,046	281,676	435,180
FHLMC/FNMA/FFC/ FNCI/FGCI	5,778,904	1,470,805	3,714,916	-	593,183
Corporate Bonds	2,234,779	648,417	1,586,362	-	-
Money-Market/Mutual Funds	5,452,168	5,452,168	-	-	-
	<u>\$30,341,102</u>	<u>\$21,573,739</u>	<u>\$7,457,324</u>	<u>\$281,676</u>	<u>\$1,028,363</u>

Concentration of Credit Risk

Financial instruments that potentially subject VIT to concentrations of credit risk consist principally of cash balances and temporary cash investments. VIT maintains checking accounts and a money market deposit account in excess of the \$100,000 limit of federal insurance with major financial institutions. Deposits in excess of the \$100,000 limit totaled approximately \$19,565,000 and \$13,945,000 at June 30, 2005 and 2004, respectively.

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

3. CHANGES IN CAPITAL ASSETS

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

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Capital assets not being depreciated:				
Land and improvements	\$96,251,606	\$ 226,438	\$ -	\$96,478,044
Construction in progress	161,327,112	106,369,303	91,932,305	175,764,110
	<u>257,578,718</u>	<u>106,595,741</u>	<u>91,932,305</u>	<u>272,242,154</u>
Depreciable capital assets:				
Infrastructure	244,643,212	74,299,001	27,078,540	291,863,673
Buildings	53,809,395	11,395,036	639,344	64,565,087
Improvements other than buildings	26,836,561	965,556	60,137	27,741,980
Equipment	149,351,195	5,320,104	6,556,347	148,114,952
	<u>474,640,363</u>	<u>91,979,697</u>	<u>34,334,368</u>	<u>532,285,692</u>
Less accumulated depreciation for:				
Infrastructure	95,291,653	8,968,129	17,455,445	86,804,337
Buildings	31,571,114	3,229,336	639,344	34,161,106
Improvements other than buildings	11,386,230	1,726,247	20,041	13,092,436
Equipment	74,330,492	8,790,348	5,903,910	77,216,930
Total accumulated depreciation	<u>212,579,489</u>	<u>22,714,060</u>	<u>24,018,740</u>	<u>211,274,809</u>
Depreciable capital assets, net	<u>262,060,874</u>	<u>69,265,637</u>	<u>10,315,628</u>	<u>321,010,883</u>
Total capital assets, net	<u>\$519,639,592</u>	<u>\$175,861,378</u>	<u>\$102,247,933</u>	<u>\$593,253,037</u>

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Component Unit – VIT

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

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Property & Equipment	\$51,324,511	\$6,008,613	\$3,072,401	\$54,260,723
Less: Accumulated Depreciation	<u>38,140,749</u>	<u>4,907,825</u>	<u>3,005,521</u>	<u>40,043,053</u>
Net Property & Equipment	<u>\$13,183,762</u>	<u>\$1,100,788</u>	<u>\$66,880</u>	<u>\$14,217,670</u>

4. LONG-TERM DEBT

Changes in Long-Term Indebtedness

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

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005	Amounts Due Within one Year
Revenue Bonds Issuance Premium	\$355,605,000	\$60,000,000	\$13,175,000	\$402,430,000	\$15,240,000
	<u>3,620,316</u>	<u>2,170,951</u>	<u>53,127</u>	<u>5,738,140</u>	<u>178,559</u>
Total Revenue Bonds	<u>359,225,316</u>	<u>62,170,951</u>	<u>13,228,127</u>	<u>408,168,140</u>	<u>15,418,559</u>
Installment Purchases	10,420,781	40,083,604	5,331,223	45,173,162	3,461,206
Contracts Compensated Absences	737,803	-	18,713	719,090	19,812
	<u>516,220</u>	<u>370,064</u>	<u>378,355</u>	<u>507,929</u>	<u>379,911</u>
Total	<u>\$370,900,120</u>	<u>\$102,624,619</u>	<u>\$18,956,418</u>	<u>\$454,568,321</u>	<u>\$19,279,488</u>

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Virginia Port Authority

Balance as of
June 30, 2005

Details of Long-Term Indebtedness

Revenue Bonds

On October 23, 1996, Commonwealth Port Fund Revenue Bonds, dated October 15, 1996, were issued in the principal amount of \$38,300,000. Serial bonds issued in the principal amount of \$26,710,000 are payable in annual installments varying from \$1,730,000 to \$2,515,000 with interest of 5.25% to 5.75% payable semiannually, the final installment due in 2012. Term bonds issued in the principal amount of \$11,590,000 with interest of 5.90% are due in 2016. The bonds are payable primarily from the Commonwealth Port Fund. Such revenues currently consist of a portion of the additional revenues derived from certain increases in motor vehicle fuel taxes, sales and use taxes, and annual motor vehicle registration fees.

\$28,420,000

On June 26, 1997, Port Facilities Revenue Bonds, dated June 1, 1997, were issued in the principal amount of \$98,065,000. Serial bonds issued in the principal amount of \$29,490,000 are payable in annual installments varying from \$1,975,000 to \$2,885,000 with interest of 5.10% to 6.00% payable semiannually, the final installment due in 2012. Term bonds issued in the principal amounts of \$17,025,000, \$33,090,000, and \$18,460,000 with interest of 5.65%, 5.50%, and 5.60% are due in 2017, 2024, and 2027, respectively. The bonds are payable from net revenues of the Authority.

87,910,000

On April 2, 1998, Commonwealth Port Fund Revenue Refunding Bonds, dated April 1, 1998, were issued in the principal amount of \$71,015,000. The bonds are payable in annual installments varying from \$8,630,000 to \$10,085,000 with interest of 5.25% to 5.50% payable semiannually, the final installment due in 2008. These bonds were issued to refund the outstanding principal amount of the Series 1988 Bonds of the Authority and are payable on a parity with outstanding Series 1996 Bonds. The bonds are payable primarily from the Commonwealth Port Fund. Such revenues currently consist of a portion of the additional revenues derived from certain increases in motor vehicle fuel taxes, sales and use taxes, and annual motor vehicle registration fees.

37,360,000

On July 23, 2002, Commonwealth Port Fund Revenue Bonds, dated July 11, 2002, were issued in the principal amount of \$135,000,000. Serial bonds issued in the principal amount of \$90,850,000 are payable in

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

annual installments varying from \$1,960,000 to \$7,590,000 with interest of 2.70% to 5.50% payable semiannually, the final installment due 2022. Term bonds issued in the principal amounts of \$16,360,000 and \$27,790,000 with interest of 5.125% and 5.00% are due in 2024 and 2027, respectively. These bonds are payable primarily from the Commonwealth Port Fund. Such revenues currently consist of a portion of the additional revenues derived from certain increases in motor vehicle fuel taxes, sales and use taxes, and annual motor vehicle registration fees.

134,000,000

On June 26, 2003, Port Facilities Fund Revenue Bonds, dated June 18, 2003, were issued in the principal amount of \$55,155,000. Serial bonds issued in the principal amount of \$18,880,000 are payable in annual installments varying from \$945,000 to \$2,210,000 with interest of 2.25% to 5.25% payable semiannually, the final installment due 2024. Term bonds issued in the principal amounts of \$4,945,000, \$6,090,000, \$4,945,000, \$5,000,000, \$15,295,000 with interest of 4.00%, 4.375% , 5.00%, 4.75% and 4.50% are due in 2013, 2023, 2028, 2028, and 2033, respectively. These bonds are payable from the net revenues of the Authority.

54,740,000

On April 14, 2005, Commonwealth Port Fund Revenue Bonds, dated April 6, 2005, were issued in the principal amounts of \$55,095,000 (AMT bonds) and \$4,905,000 (non-AMT bonds). AMT serial bonds issued in the principal amount of \$31,465,000 are payable in annual installments varying from \$1,245,000 to \$3,055,000 with interest of 5.0% to 5.25% payable semiannually, the final installment due 2024. AMT term bonds issued in the principal amount of \$6,745,000 and \$16,885,000 with interest of 5.25% and 4.875% are due in 2019 and 2029, respectively. Non-AMT term bonds issued in the principal amount of \$4,905,000 with interest of 5.00% are due in 2030. These bonds are payable primarily from the Commonwealth Port Fund. Such revenues currently consist of a portion of the additional revenues derived from certain increases in motor vehicle fuel taxes, sales and use taxes, and annual motor vehicle registration fees.

60,000,000

Sub-total revenue bonds

\$402,430,000

Issuance premium, net

5,738,140

Total revenue bonds

\$408,168,140

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Installment Purchases

A 30-year lease dated November 4, 1975 ending July 31, 2005, between the Virginia Port Authority and the City of Portsmouth has been treated for accounting purposes as an installment purchase of property. Terms of the lease require quarterly rental payments totaling \$112,280 annually, including interest at an imputed interest rate of approximately 7.9%. 7,455

A contract dated November 20, 2000, for the lease purchase of terminal equipment totaling \$4,963,000 with initial payment of \$90,398 and monthly payments of \$69,992 for a period of seven years at an interest rate of 4.93% was refinanced beginning September 1, 2004 with monthly payments of \$67,837 for a period of forty-one months at an interest rate of 3.10%. 1,955,830

A contract dated December 11, 2003, for the lease purchase of terminal equipment totaling \$6,750,000 with initial payment of \$13,838 and semi-annual payments of \$406,659 for a period of ten years at an interest rate of 3.69%. 5,887,924

A contract dated April 15, 2004 for the lease purchase of terminal equipment totaling \$802,269 with initial payment of \$4,199 and semi-annual payments of \$85,798 for a period of five years at an interest rate of 2.4795%. 649,624

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%. 2,545,344

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%. 10,956,055

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%. 23,170,930

Total installment purchases \$45,173,162

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Contracts

A contract dated May 15, 1986, for the construction of certain harbor projects to increase the depth of shipping channels at Hampton Roads totaling \$928,077. The agreement requires annual payments for a period of 30 years including interest at the current Treasury rate, plus 1/8 of 1% for transaction costs beginning May 1997. Every 5 years the interest rate will be recalculated using the Treasury rate in effect at that time. The last recalculation was performed as of May 2001.

719,090

Compensated Absences

VPA's salaried employees attendance and leave regulations make provision for the granting of a specified number of days of leave each year. The amount of leave earned but not taken is recorded as a liability on the Statement of Net Assets. At June 30, 2005 the amounts reflect all earned vacation and compensatory leave not taken, and the amount payable under the Authority's sick leave pay-out policy upon termination, which is the lesser of 25 percent 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.

507,929

Total long-term indebtedness

\$454,568,321

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Annual Long-Term Debt Requirements

A summary of future principal and interest obligations under long-term debt as of June 30, 2005 (excluding compensated absences), is as follows:

Revenue Bonds

Year Ending June 30,	Principal	Interest	Unamortized Issuance Premium	Total
2006	\$15,240,000	\$19,575,132	\$178,559	\$34,993,691
2007	17,715,000	19,607,230	255,071	37,577,301
2008	19,625,000	18,641,788	291,266	38,558,054
2009	20,660,000	17,589,008	315,124	38,564,132
2010	11,120,000	16,767,173	325,154	28,212,327
2011-2015	64,615,000	74,546,866	1,859,627	141,021,493
2016-2020	73,290,000	55,526,892	1,464,970	130,281,862
2021-2025	86,885,000	35,009,096	778,646	122,672,742
2026-2030	76,700,000	11,359,178	256,321	88,315,499
2031-2035	16,580,000	1,258,047	13,402	17,851,449
Total	<u>\$402,430,000</u>	<u>\$269,880,410</u>	<u>\$5,738,140</u>	<u>\$678,048,550</u>

Installment Purchases

Year Ending June 30,	Principal	Interest	Total
2006	\$3,461,206	\$1,265,718	\$4,726,924
2007	4,423,413	1,559,987	5,983,400
2008	4,244,291	1,399,921	5,644,212
2009	3,916,651	1,252,699	5,169,350
2010	3,978,662	1,104,891	5,083,553
2011-2015	20,836,978	3,169,303	24,006,281
2016-2020	4,311,961	515,324	4,827,285
Total	<u>\$45,173,162</u>	<u>\$10,267,843</u>	<u>\$55,441,005</u>

Contracts Payable

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Year Ending June 30,	Principal	Interest	Total
2006	\$19,812	\$42,246	\$62,058
2007	20,976	41,083	62,059
2008	22,209	39,850	62,059
2009	23,513	38,545	62,058
2010	24,895	37,164	62,059
2011-2015	148,208	162,085	310,293
2016-2020	197,171	113,124	310,295
2021-2025	262,306	47,988	310,294
Total	<u>\$719,090</u>	<u>\$522,085</u>	<u>\$1,241,175</u>

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 \$3,330,011 at June 30, 2005 to the extent of the benefits that are payable. VIT is also contingently liable for personal and vacation leave of \$4,164,361 at June 30, 2005 representing amounts employees could use during their period of employment.

5. DEFEASANCE OF DEBT – PRIOR YEARS

During fiscal year 1997, certain 1993 Port Facilities General Revenue Bonds were defeased by the Authority. A portion of the net proceeds from the sale of the 1997 bond was placed in an irrevocable trust with an escrow agent to provide for all future debt service on the refunded bonds. Accordingly, the trust account assets and the related liability for the defeased bonds are not reflected in the Authority's financial statements. At June 30, 2005, \$7,920,000 of defeased bonds were outstanding.

6. RENT OF TERMINAL FACILITIES AND EQUIPMENT

Virginia International Terminals, Inc., (VIT) was incorporated as a nonprofit corporation on June 30, 1981, for the purpose of operating all marine terminals owned by the Authority. Lease agreements with Port Authority Terminals, Inc., and Portsmouth Terminals, Inc., to operate Newport News Marine Terminal, Norfolk International Terminals, and Portsmouth Marine Terminal, respectively, were assigned to VIT.

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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.

7. COMMITMENTS AND CONTINGENCIES

As of June 30, 2005, the Authority has commitments to construction contracts totaling \$255,748,944 of which \$221,903,208 has been incurred.

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

The Authority is committed under various operating lease agreements for office facilities and equipment. The commitments range from one month to 30 months and generally include renewal options and escalation clauses relating to property tax and cost of living increases. Operating leases to rent office space in Singapore, Brussels, Korea and Hong Kong are subject to the currency exchange rate at the time of each rent payment. Rent expense under operating lease agreements amounted to \$198,703 for the year. A summary of future obligations under lease agreements as of June 30, 2005, follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2006	\$ 121,570
2007	30,417
2008	29,080
2009	29,080
2010	29,080
Thereafter	84,817
Total	<u><u>\$ 324,044</u></u>

Bonds

On April 14, 2005 the Authority entered into a bond purchase agreement with an underwriter for the delivery of \$21,730,000 in Commonwealth Port Fund Revenue Refunding bonds on or after April 4, 2006. Proceeds from the delivery of the bonds, combined with amounts released from reserve funds, are expected to refund \$22,925,000 of the 1996 Series bonds on July 1, 2006.

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Foreign Currency Denomination

In 2005, the Authority entered into a Euro-denominated contract with a third party for the acquisition of certain equipment in the amount of €17,460,000. In conjunction with the acquisition, the Authority established a Euro-denominated bank account with a U.S. bank as a hedge to fix the U.S. dollar price of the contract and fund the equipment acquisition.

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, 2005, the escrow account balance was \$8,291,225.

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. 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.

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, 2005.

At June 30, 2005, VIT has a letter of credit issued in the amount of \$4,000,000 for workers' compensation claims. The letter of credit bears interest at prime and is set to expire at March 31, 2006. At June 30, 2005, there were no borrowings outstanding.

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

8. PENSION PLANS AND OTHER POST RETIREMENT BENEFITS

The Authority maintains two defined benefit plans for its employees. Employees of record on July 1, 1997, had the option of continuing to maintain their status as a State employee, and their benefits maintained under the Virginia Retirement System (VRS), or elect to be covered under a newly created pension plan (the VPA Defined Benefit Plan). The VPA Defined Benefit Plan covers all employees hired after July 1, 1997. Employees of the Authority who elected to remain employees of the Commonwealth participate in a defined benefit pension plan administered by the Virginia Retirement System (VRS). The VRS also administers life insurance and health related plans for retired employees. Information relating to these plans is available at the statewide level only in the Commonwealth of Virginia's Comprehensive Annual Financial Report (CAFR). The Commonwealth, not the Authority, has overall responsibility for contributions to these plans.

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

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 6.87% of base pay in 2005, 4.00% of base pay in 2004 and 23.00% of base pay in 2003 for employees receiving the basic retirement benefit from the plan. The plan does not specify a minimum funding requirement.

In November 2001, the Board of Commissioners voted to amend the VPA Defined Benefit Plan to provide benefits to sworn police officers that more closely resemble the new retirement benefits provided to members of the Virginia Law Enforcement Officers Retirement System program. The effect of those changes is included in the accompanying pension data.

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

The components of annual pension cost and net pension obligation are as follows:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Service cost-benefits earned during the year	\$329,902	\$348,524	\$197,071
Interest on projected benefit obligation	157,419	138,803	111,771
Expected return on assets	(107,220)	(167,011)	(36,821)
Net amortization and deferral	<u>83,198</u>	<u>183,283</u>	<u>87,904</u>
Annual pension cost	463,299	503,599	359,925
Contributions made	(506,915)	(149,822)	(802,299)
Additional minimum liability	<u>945,384</u>	<u>(435,518)</u>	<u>158,952</u>
Increase(Decrease) in pension obligation	901,768	(81,741)	(283,422)
Pension obligation, beginning of year	<u>502,017</u>	<u>583,758</u>	<u>867,180</u>
Pension obligation, end of year	<u><u>\$1,403,785</u></u>	<u><u>\$502,017</u></u>	<u><u>\$583,758</u></u>

The annual pension cost for the current year was determined as part of the August 2005, actuarial valuation using the aggregate actuarial cost method, which does not identify and separately amortize unfunded actuarial liabilities. Actual value of assets was determined using market value. The discount rate used in determining the actuarial present value of the projected benefit obligation was 5.25% for 2005, 6.25% for 2004 and 6.00% for 2003. The estimated rate of increase in future compensation levels used was 4.00%. The expected long-term rate of return on assets used in determining net periodic pension cost was 8.00%.

The following table sets forth the plan's funded status and the related amounts recorded in the Authority's balance sheets at June 30, 2005, 2004 and 2003.

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
June 30, 2005	\$ 463,299	109%	\$ 1,403,785
June 30, 2004	\$ 503,599	30%	\$ 502,017
June 30, 2003	\$ 359,925	223%	\$ 583,758

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).

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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 \$112,835 and \$101,019 for the years ended June 30, 2005 and 2004, respectively.

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

Component Unit – VIT

The Virginia International Terminals, Inc. Pension Plan is a single employer, noncontributory defined benefit pension plan administered by Virginia International Terminals, Inc. The Plan provides retirement, disability, and death benefits to plan members and beneficiaries. Benefit provisions and obligations are established and may be amended by the Board of Directors of Virginia International Terminals, Inc. The plan's financial report is audited annually and can be obtained through the Human Resource Department at VIT.

On October 1, 2001, the Plan was amended and restated in order to comply with the GUST II requirements, brought about by the Uniformed Service Employment and Reemployment Rights Act of 1994, the Uruguay Round Agreements Act, the Small Business Job Protection Act of 1996, the Taxpayer Relief Act of 1997, and the Internal Revenue Service Restructuring and Reform Act of 1998.

The annual pension cost for the current year was determined as part of the September 30, 2003 actuarial valuation using the aggregate actuarial cost method, which does not identify and separately amortize unfunded actuarial liabilities. The discount rate used in determining the actuarial present value of the projected benefit obligation was 6.75% in 2005 and 7.50% in 2004 and 2003. The estimated rate of increase in future compensation levels used was 5.00% for all three years for all post-1996 hires and 6.00% for all pre-1997 hires for 2005 and 5.00% for all pre-1997 hires for 2004 and 2003. The expected long-term rate of return on assets used in determining net periodic pension cost was 8.00% for all three years.

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Service cost – benefits earned	\$1,642,100	\$1,156,600	\$987,000
Interest cost of projected benefit obligation	2,653,000	2,260,700	2,144,000
Expected return on assets	(2,972,100)	(2,675,000)	(2,429,000)
Net amortization and deferral	<u>643,600</u>	<u>151,300</u>	<u>76,400</u>
Annual pension cost	1,966,600	893,600	778,400
Contributions made	<u>(1,104,900)</u>	<u>(1,299,000)</u>	<u>(2,916,100)</u>
Decrease(increase) in prepaid pension obligation	861,700	(405,400)	(2,137,700)
Prepaid pension obligation, beginning of year	<u>(8,167,800)</u>	<u>(7,762,400)</u>	<u>(5,624,700)</u>
Prepaid pension obligation, end of year	<u><u>(\$7,306,100)</u></u>	<u><u>(\$8,167,800)</u></u>	<u><u>(\$7,762,400)</u></u>

The following table sets forth the plan's funded status and the related amounts recorded in the Company's balance sheets at June 30, 2005, 2004, and 2003.

Three-Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Prepaid Pension Obligation</u>
June 30, 2005	\$ 1,966,600	56%	\$ (7,306,100)
June 30, 2004	\$ 893,600	145%	\$ (8,167,800)
June 30, 2003	\$ 778,400	375%	\$ (7,762,400)

VIT also sponsors two noncontributory supplemental plans covering certain key employees. Assets of \$1,838,656 and \$1,876,388 in 2005 and 2004, respectively, have been allocated for future benefit payments under the provisions of the supplemental plans. The accrued liability was \$2,132,829, and \$2,125,712 as of June 30, 2005 and 2004, respectively. There were no contributions to the plans for 2005 or 2004, and contributions to the plans totaled \$400,000 in 2003.

In addition, VIT sponsors a deferred compensation plan and a matching savings plan under Internal Revenue Code Sections 457 and 401(a), respectively, that 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

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

plan. VIT's total contribution to the matching savings plan was \$288,913 and \$261,960 for the years ended June 30, 2005 and 2004, respectively.

VIM sponsors a Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) and provides a matching savings plan under Internal Revenue Code Section 408(p). All employees with annual earnings greater than \$5,000 are eligible to participate in the plan. The plan requires VIM to match 3% of each eligible employee's salary. VIM's total contribution to the Plan was \$9,534 for the year ended June 30, 2005.

9. ACCRUED WORKERS' COMPENSATION COSTS

Included in accrued workers' compensation costs for VIT are a workers' compensation claims component and an accrued Department of Labor assessment component. The workers' compensation claims component consists of VIT's estimate of its continuing liability for injuries, which occurred during periods of self-insurance. The balances at June 30, 2005 and 2004 are classified as follows:

	<u>2005</u>	<u>2004</u>
Workers' compensation claims	\$1,639,445	\$1,687,337
Workers' compensation claims, noncurrent portion	<u>766,816</u>	<u>1,121,028</u>
	<u>\$2,406,261</u>	<u>\$2,808,365</u>

The accrued Department of Labor (DOL) assessment component is the VIT'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 6.75% and 7.5% at June 30, 2005 and 2004, respectively. The undiscounted liability totaled approximately \$8,362,000 and \$8,730,000, at June 30, 2005 and 2004, respectively. VIT expects to pay these assessments annually through 2034. The balances at June 30, 2005 and 2004 are classified as follows:

	<u>2005</u>	<u>2004</u>
Accrued DOL assessment	\$860,555	\$812,663
Accrued DOL assessment, noncurrent portion	<u>4,470,445</u>	<u>4,828,337</u>
	<u>\$5,331,000</u>	<u>\$5,641,000</u>

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

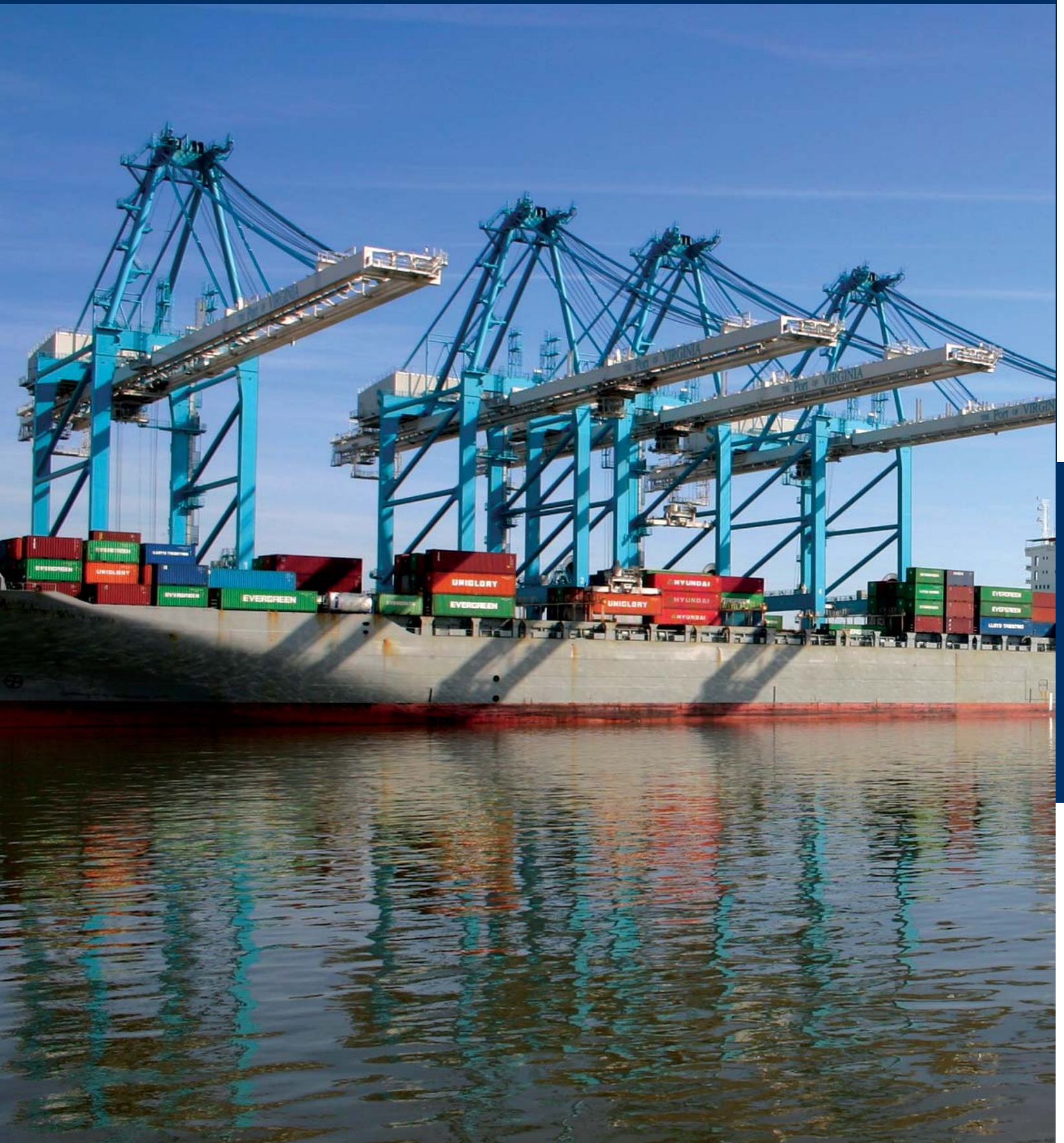
10. RISK MANAGEMENT AND EMPLOYEE HEALTH CARE PLANS

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

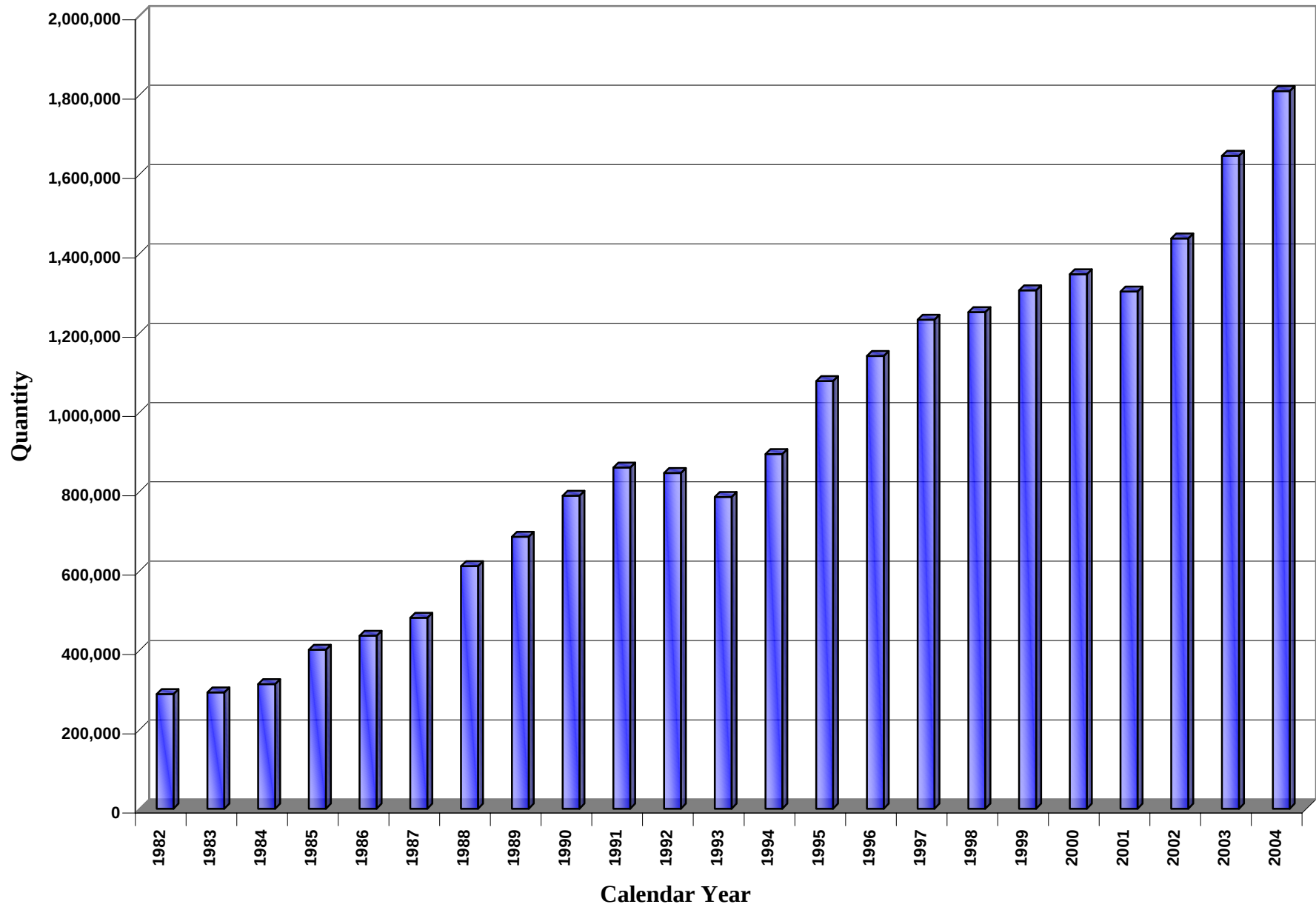


Virginia Port Authority

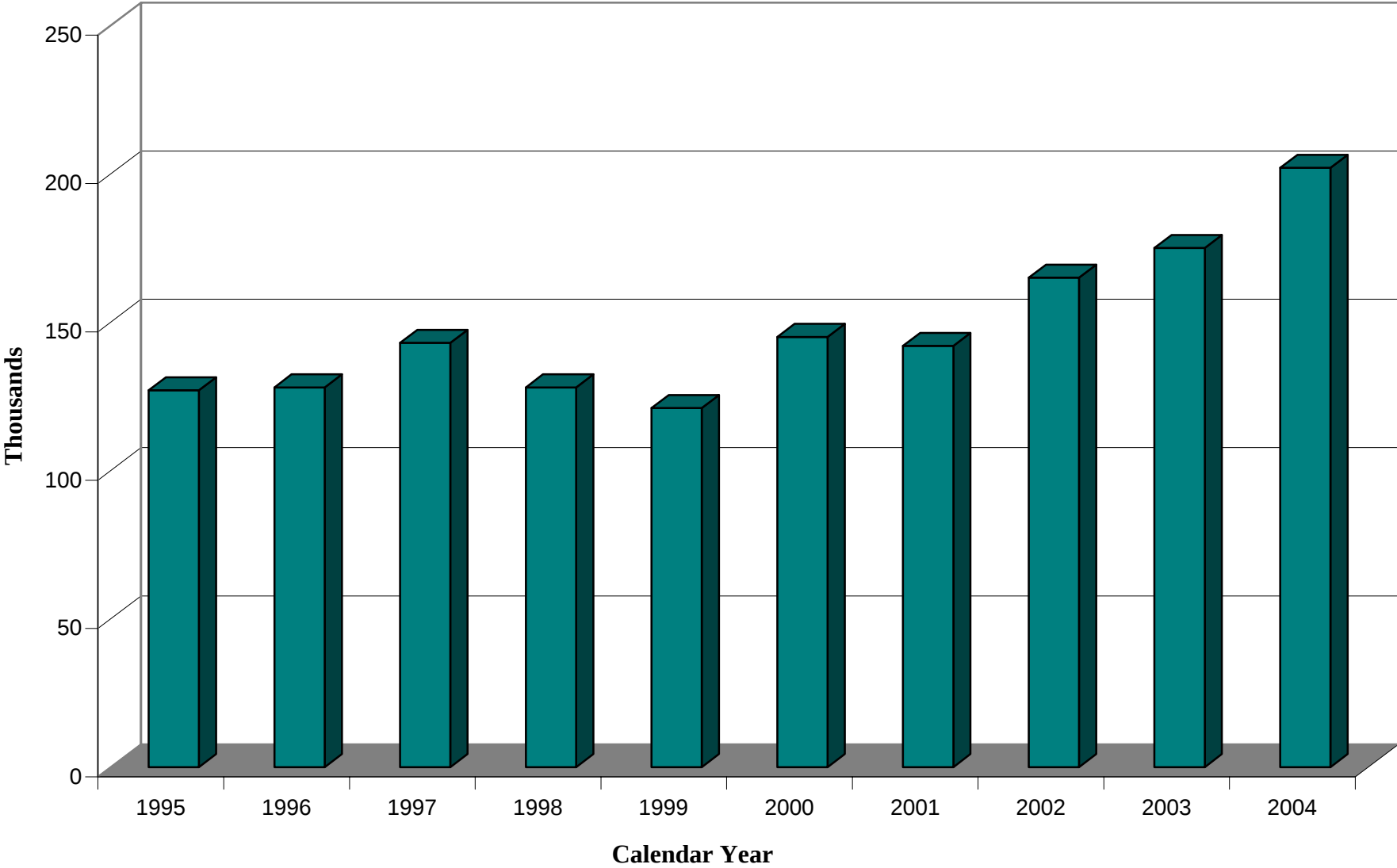
Statistical Section



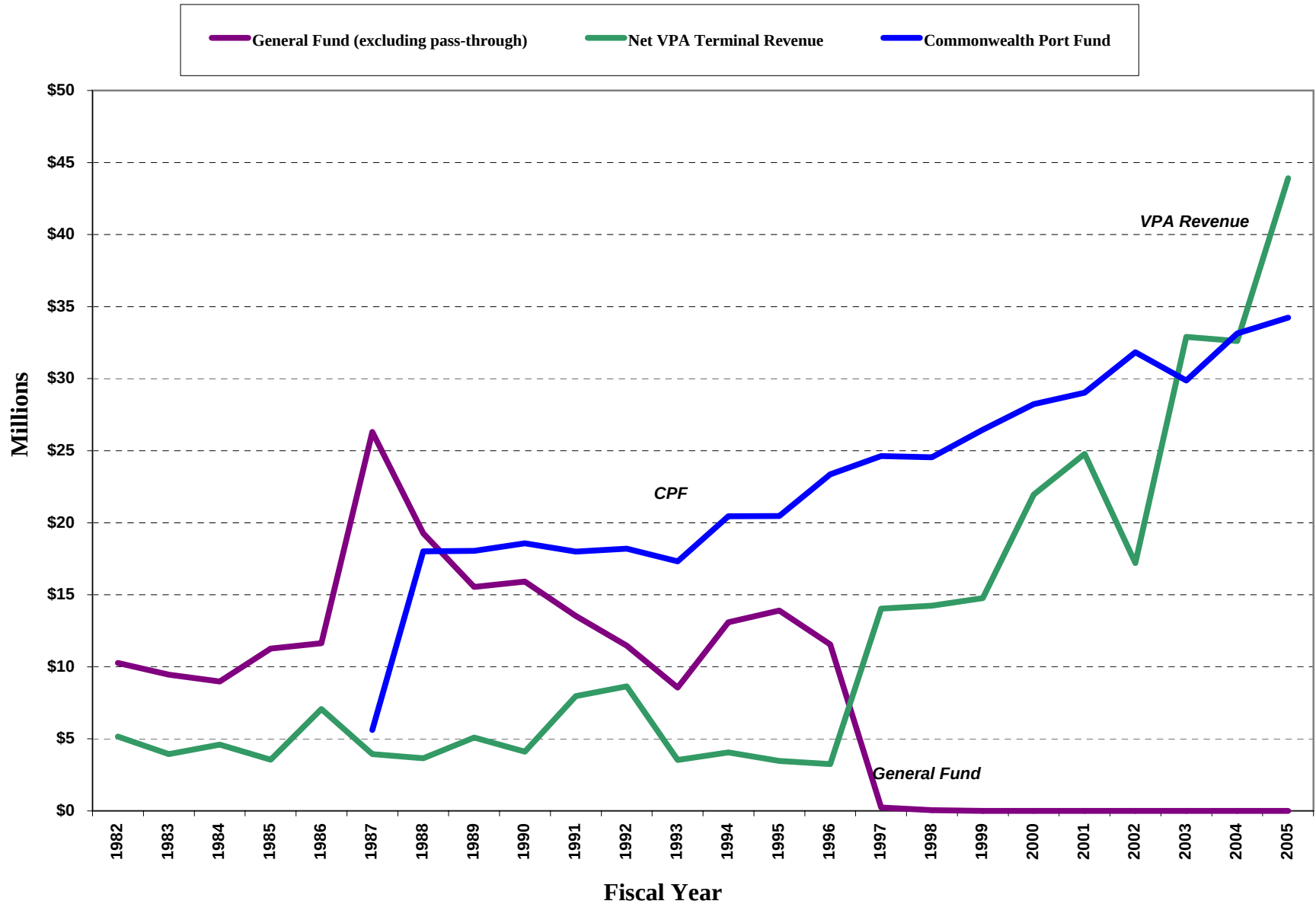
The Port of Virginia Twenty-foot Equivalent Unit Container Throughput



Midwest Rail Container Volume



The Port of Virginia Revenue Comparisons



The Port of Virginia Calendar 2004 Key Performance Indicators

Total Cargo In Millions of U.S. Dollars

Top 10 Trading Partners			
Exports		Imports	
United Kingdom	1,015.18	China	3,651.58
China	913.79	United Kingdom	2,756.69
Japan	912.33	Germany	2,666.43
Belgium	854.51	Brazil	1,796.75
Netherlands	790.60	Italy	1,418.95
Germany	766.57	Japan	1,249.59
Brazil	660.57	France	1,069.21
Saudi Arabia	651.32	India	955.85
Italy	448.02	Spain	523.88
Egypt	444.95	Sweden	469.23

Top 10 Commodities			
Exports		Imports	
Machinery	2,538.47	Machinery	4,684.11
Tobacco	1,119.30	Pharmaceutical Products	1,942.13
Mineral Fuel, Oil, Etc.	1,024.32	Vehicles, Not Railway	1,646.35
Vehicles, Not Railway	777.35	Electrical Machinery	1,430.51
Plastic	744.16	Furniture and Bedding	1,160.11
Organic Chemicals	656.25	Mineral Fuel, Oil, Etc.	908.71
Electrical Machinery	594.76	Toys and Sports Equipmt	750.95
Wood	550.22	Beverages	695.58
Pharmaceutical Products	481.94	Plastic	637.49
Misc. Chemical Products	386.35	Rubber	586.49

Trade Lanes		
	Export	Import
Africa	854.45	509.86
Asia, Northeast	2,494.28	5,382.18
Asia, Southeast	518.16	1,522.67
Caribbean	78.82	31.74
Central America	109.17	88.49
Europe, North	5,192.81	9,345.01
India & Others	432.46	1,394.35
Mediterranean	1,254.52	2,543.25
Middle East	1,336.23	319.43
North America	18.65	390.46
Oceania	295.64	65.53
South America	1,088.20	2,136.91

Coal Exports by Country		Top U.S. Ports	
Japan	179.51	Los Angeles, CA	148,535.53
Brazil	125.63	New York, NY	113,276.82
Italy	103.43	Long Beach, CA	92,018.34
Netherlands	101.97	Houston, TX	65,899.05
Belgium	69.99	Charleston, SC	46,157.68
France	63.37	The Port of Virginia	37,403.79
United Kingdom	57.55	Baltimore, MD	31,243.74
Turkey	55.79	Seattle, WA	29,172.19
India	43.72	Tacoma, WA	27,840.01
China	33.11	Oakland, CA	26,932.07
		Savannah, GA	26,011.70
		New Orleans, LA	22,171.29
		Miami, FL	18,321.32

Source: U.S. Maritime Administration, Hampton Roads Maritime Association and the Virginia Port Authority

Note: Cargo data includes information for all Virginia Ports, including those not owned and operated by the Virginia Port Authority.

The Port of Virginia Calendar 2004 Key Performance Indicators

Total Cargo In Thousands of Short Tons

Top 10 Trading Partners			
Exports		Imports	
Japan	2,381.98	Canada	1,873.52
Brazil	2,080.80	Norway	1,500.11
Italy	2,037.24	Brazil	1,316.78
Netherlands	1,814.69	China	1,254.45
Belgium	1,373.82	Germany	655.88
United Kingdom	1,238.50	Italy	425.78
France	1,119.31	India	392.40
China	1,103.89	France	370.19
Turkey	770.98	Netherlands	356.25
Spain	715.31	Colombia	319.42

Top 10 Commodities			
Exports		Imports	
Mineral Fuel, Oil, Etc.	14,534.33	Mineral Fuel, Oil, Etc.	4,363.25
Wood	823.83	Salt;Sulfur;Earth,Stone	1,125.51
Woodpulp, Etc.	622.15	Machinery	774.53
Paper,Paperboard	408.05	Wood	674.32
Misc. Grain,Seed,Fruit	325.71	Furniture and Bedding	506.81
Machinery	308.01	Beverages	478.54
Plastic	296.34	Vehicles, Not Railway	472.43
Organic Chemicals	270.40	Fertilizers	412.09
Iron and Steel	268.55	Rubber	335.61
Tobacco	214.54	Plastic	299.13

Trade Lanes		
	Export	Import
Africa	1,193.67	345.94
Asia, Northeast	4,129.14	1,578.33
Asia, Southeast	397.60	613.62
Caribbean	108.46	194.67
Central America	49.19	35.68
Europe, North	6,949.95	4,184.46
India & Others	714.24	484.79
Mediterranean	3,898.11	1,335.79
Middle East	353.32	96.02
North America	104.63	1,876.92
Oceania	134.41	67.87
South America	2,297.41	2,151.56

Coal Exports by Country		Top U.S. Ports	
Japan	2,031.04	Houston, TX	140,596.13
Brazil	1,865.50	New York, NY	87,055.15
Italy	1,668.21	South Louisiana	82,532.36
Netherlands	1,535.58	New Orleans, LA	72,213.87
Belgium	1,128.11	Morgan City, LA	60,400.24
France	1,028.23	Los Angeles, CA	54,756.60
United Kingdom	1,016.60	Corpus Christi, TX	52,751.99
Turkey	664.44	Beaumont, TX	52,472.94
Sweden	627.94	Philadelphia, PA	51,757.20
Spain	545.45	Long Beach, CA	48,042.03
		Texas City, TX	35,659.44
		The Port of Virginia	33,295.86
		Lake Charles, LA	31,764.98

Source: U.S. Maritime Administration, Hampton Roads Maritime Association and the Virginia Port Authority

Note: Cargo data includes information for all Virginia Ports, including those not owned and operated by the Virginia Port Authority.

The Port of Virginia Calendar 2004 Key Performance Indicators

	Total Trade		Imports		Exports	
	Short Tons (Thousands)	US Dollars (Millions)	Short Tons (Thousands)	US Dollars (Millions)	Short Tons (Thousands)	US Dollars (Millions)
Total Cargo	33,295.86	37,403.79	12,965.67	23,729.90	20,330.19	13,673.90
General Cargo	14,857.68	35,254.71	7,959.45	22,728.70	6,898.23	12,526.00
Bulk Cargo	18,438.18	2,149.09	5,006.22	1,001.19	13,431.96	1,147.89
Containerized Cargo	14,272.82	32,594.80	7,449.82	21,375.55	6,823.00	11,219.25
Breakbulk Cargo	584.86	2,659.90	509.64	1,353.15	75.23	1,306.75
Twenty Foot Equiv. Units		1,808,933	895,752		913,181	
Containers		1,046,730	516,603		530,127	
Vessel Calls		2,746				

Coal Loadings (International and Domestic)	Short Tons (Thousands)	26,466.62
--	------------------------	-----------

Major U.S. East Coast Container Ports	TEUs	Market Share %	Major U.S. East Coast General Cargo Ports	Short Tons (Thousands)	Market Share %
New York / New Jersey	4,478,480	39%	New York / New Jersey	25,474.16	35%
Charleston	1,863,916	16%	Savannah	15,250.67	21%
Virginia	1,808,933	16%	Virginia	14,857.68	20%
Savannah	1,662,063	15%	Miami	9,230.04	13%
Miami	1,009,500	9%	Baltimore	7,708.72	11%
Baltimore	557,858	5%			



Virginia Port Authority

Compliance Section



VIRGINIA PORT AUTHORITY

CONTINUING DISCLOSURE AGREEMENT

ANNUAL REPORT

FOR FISCAL YEAR ENDED

JUNE 30, 2005

**COMMONWEALTH PORT FUND REVENUE BONDS,
SERIES 1996**

**COMMONWEALTH PORT FUND REVENUE REFUNDING BONDS,
SERIES 1998**

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

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

BASE CUSIP NUMBER: 928075

VIRGINIA PORT AUTHORITY

**Continuing Disclosure Agreement
Annual Report**

**For Fiscal Year Ended
June 30, 2005**

Commonwealth Port Fund Revenue Bonds, Series 1996

Commonwealth Port Fund Revenue Refunding Bonds, Series 1998

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

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

Table of Contents

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

TABLE 1 - TAXES APPROPRIATED TO COMMONWEALTH PORT FUND

For each of the biennia ended June 30, 1992, 1994, 1996, 1998, 2000, 2002, and 2004 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, 2001.

TRANSPORTATION TRUST FUND STATEMENT OF REVENUE COLLECTIONS FISCAL YEARS 2001 THROUGH 2005

Transportation Trust Fund (in millions)

<u>Fiscal Year</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Retail Sales and Use Tax	\$387.6	\$388.1	\$375.7	\$415.0	\$449.9
Motor Vehicle Sales and Use Tax ⁽¹⁾	181.9	190.2	194.8	215.4	219.3
Motor Fuel Taxes ⁽²⁾	115.4	117.8	120.1	118.1	119.1
Motor Vehicle Registration Fees	<u>19.4</u>	<u>19.3</u>	<u>19.7</u>	<u>20.5</u>	<u>20.6</u>
Total Transportation Trust Fund Revenues ⁽³⁾	<u>\$704.3</u>	<u>\$715.4</u>	<u>\$710.3</u>	<u>\$769.0</u>	<u>\$808.9</u>

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

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

⁽³⁾ Does not reflect investment income credited to such Fund.

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

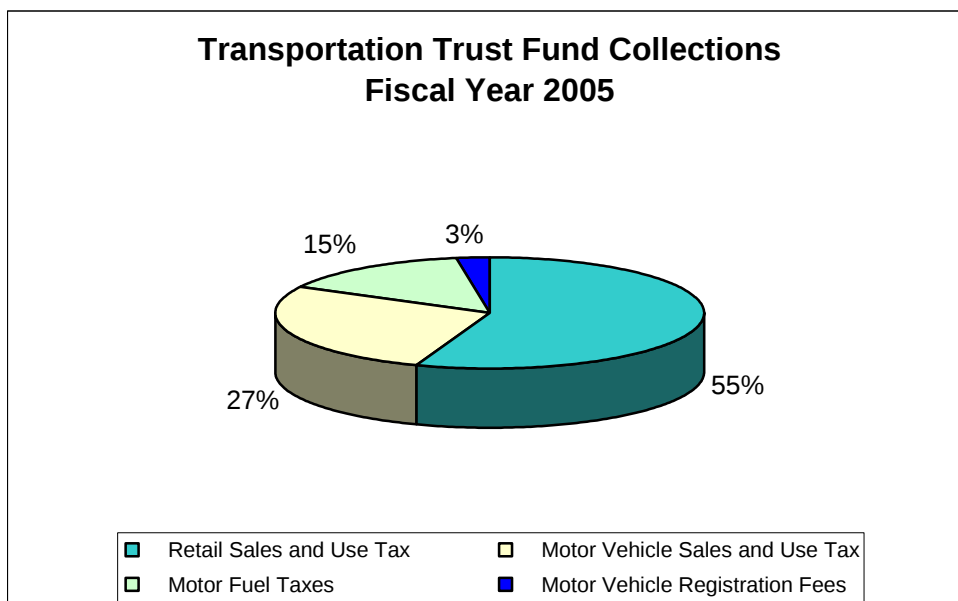


TABLE 2 - NET TRANSFERS TO THE COMMONWEALTH PORT FUND

The following table shows the allocation of Transportation Trust Fund revenue to the Port Fund, the interest credited to the Port Fund prior to its transfer to the Income Account under the Authority's Commonwealth Port Fund Revenue Bond Resolution (the "Bond Resolution") and the expenses charged thereto for the fiscal years 1996 through 2005. 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</u> <u>Earned</u> ⁽²⁾	(—)	<u>Indirect</u> <u>Expenses</u> ⁽²⁾	(=)	<u>Net Transfers</u>
1996	22,597,120		1,042,719		30,000		23,609,839
1997	23,790,779		858,061		48,800		24,600,040
1998	24,691,902		140,998		40,100		24,792,800
1999	26,495,208		447,823		37,700		26,905,331
2000	28,397,110		723,756		43,600		29,077,266
2001	29,447,966		1,144,001		47,600		30,544,367
2002	29,910,418		868,381		48,765		30,730,034
2003	30,597,359		468,452		49,100		31,016,711
2004	32,165,316		124,575		45,600		32,244,291
2005	33,834,570		200,301		47,600		33,987,271

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

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

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

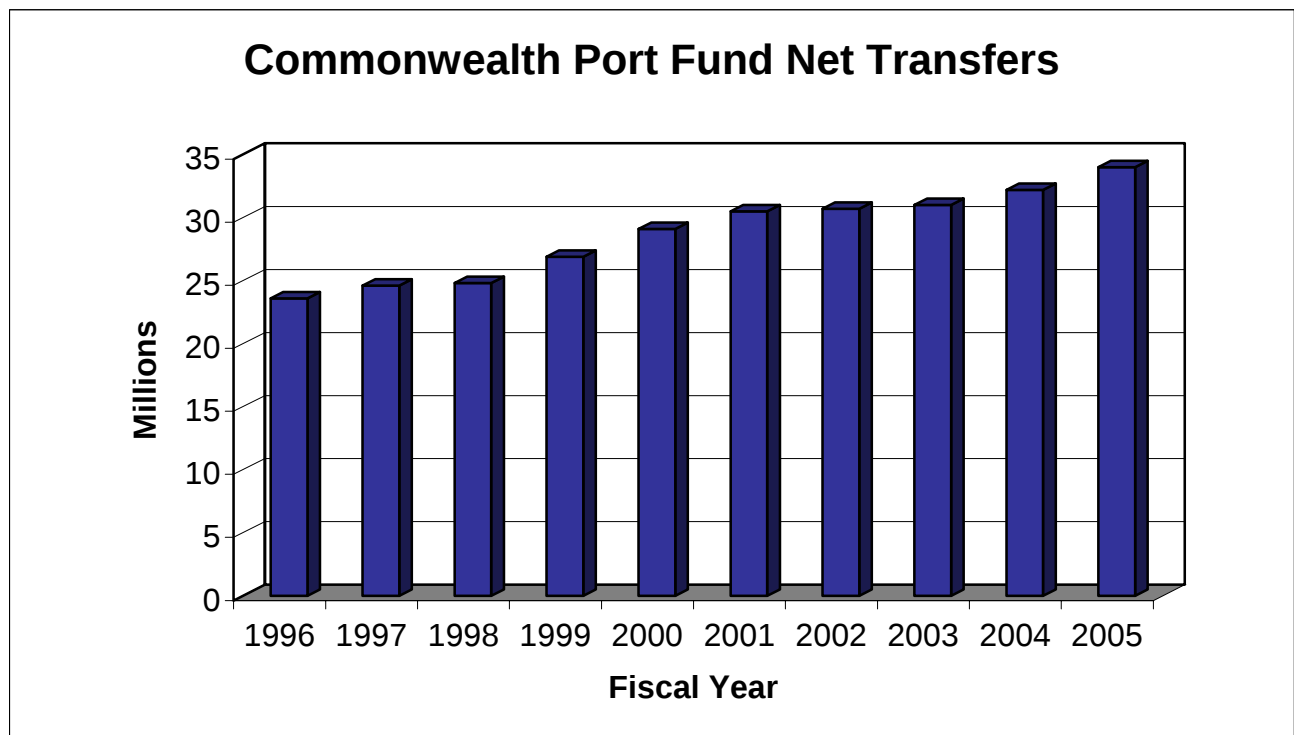


TABLE 3 - DEBT SERVICE REQUIREMENTS AND COVERAGE**Debt Service Requirements**

The following table sets forth for the periods 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 1996 (the "1996 Bonds"), Series 2002 (the "2002 Bonds"), and Series 2005 (the "2005 Bonds"), outstanding Commonwealth Port Fund Revenue Refunding Bonds, Series 1998 (the "1998 Bonds"), and committed to be issued Commonwealth Port Fund Revenue Refunding Bonds, Series 2006 (the "2006 Bonds").

Fiscal Year Ending June 30,	Senior Bonds Debt Service		<u>Series 2002 Bonds Debt Service</u>	<u>Series 2005 Bonds Debt Service</u>	<u>Series 2006 Bonds Debt Service</u>	<u>Total Bonds Debt Service</u>
	Senior 1996 Bonds Debt Service*	Senior 1998 Bonds Debt Service	<u>Total</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>
2006	\$ 3,013,041	\$ 10,642,438	\$ 9,178,618	\$ 4,280,356	\$ 277,107	\$ 27,391,560
2007	2,038,523	10,640,475	10,205,818	4,248,106	2,146,650	29,279,572
2008	0	10,639,675	10,203,143	4,279,356	3,111,650	28,233,824
2009	0	0	10,205,393	4,280,856	3,115,900	17,602,149
2010	0	0	10,207,583	4,283,856	3,119,900	17,611,339
2011	0	0	10,205,583	4,283,106	3,113,400	17,602,089
2012	0	0	10,203,333	4,283,606	3,116,650	17,603,589
2013	0	0	10,206,293	4,280,106	3,116,625	17,603,024
2014	0	0	10,204,638	4,282,606	3,119,175	17,606,419
2015	0	0	10,203,813	4,280,606	3,118,750	17,603,169
2016	0	0	10,202,863	4,279,106	1,440,075	15,922,044
2017	0	0	10,205,963	4,282,794	0	14,488,757
2018	0	0	10,207,013	4,280,706	0	14,487,719
2019	0	0	10,205,188	4,282,844	0	14,488,032
2020	0	0	10,207,438	4,278,681	0	14,486,119
2021	0	0	10,203,188	4,283,219	0	14,486,407
2022	0	0	10,206,938	4,280,669	0	14,487,607
2023	0	0	10,202,950	4,281,031	0	14,483,981
2024	0	0	10,204,231	4,283,781	0	14,488,012
2025	0	0	10,204,500	4,283,394	0	14,487,894
2026	0	0	10,203,750	4,281,663	0	14,485,413
2027	0	0	10,206,000	4,282,375	0	14,488,375
2028	0	0	0	4,280,044	0	4,280,044
2029	0	0	0	4,279,425	0	4,279,425
2030	0	0	0	4,284,000	0	4,284,000

*Does not include the Refunded Bonds

Debt Service Coverage

Coverage of maximum annual debt service on the 1996, 1998, 2002, 2005, and 2006 Bonds by Commonwealth Port Fund Primary Income for the Fiscal Year ended June 30, 2005 is shown below:

Commonwealth Port Fund Primary Income for the Fiscal Year ended June 30, 2005.....	\$33,987,271
Maximum Annual Debt Service (FY 2007)	\$29,279,572
Pro Forma Maximum Annual Debt Service Coverage	1.16

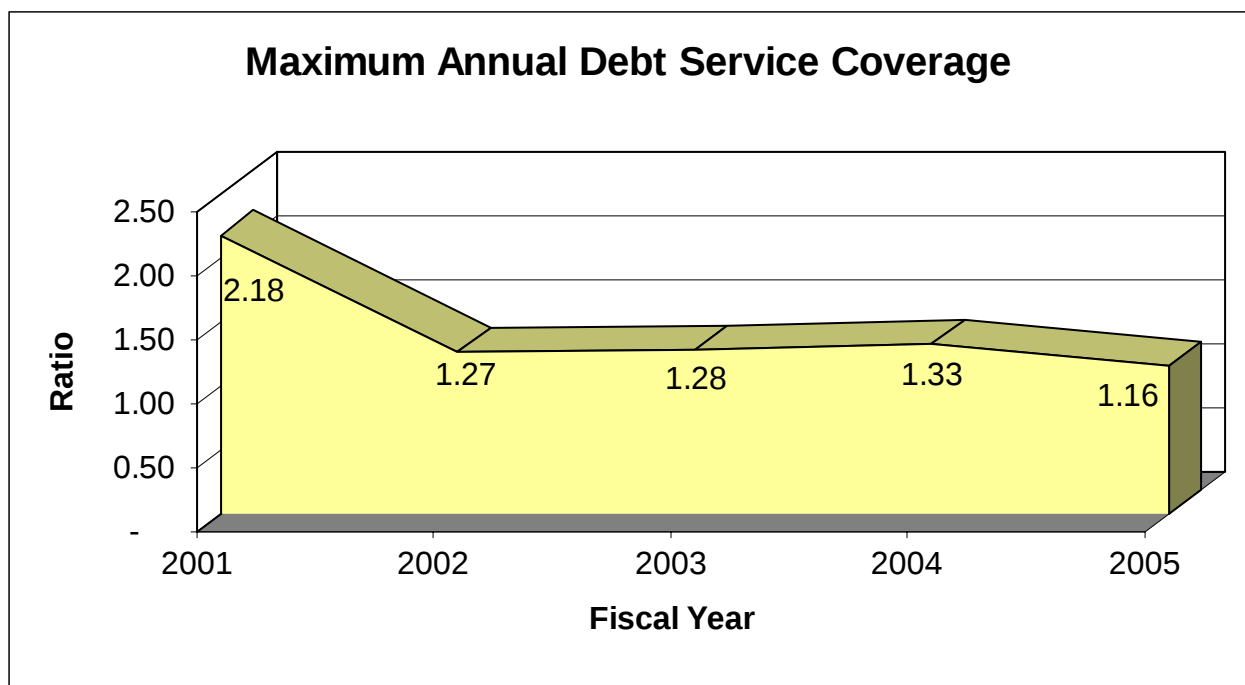


TABLE 4 - AUTHORITY REVENUES AND EXPENSES

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

Fiscal Year	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Special Fund	\$ 24,534,052	\$ 21,406,151	\$ 28,010,851	\$ 38,687,538	\$ 43,874,216
Commonwealth Port Fund	34,624,032 ⁽¹⁾	30,693,546	31,452,602	32,405,905	34,886,277
General Fund and Other ⁽²⁾	<u>2,000,000</u>	<u>-</u>	<u>18,513,795</u>	<u>4,683,600</u>	<u>1,760,034</u>
Total Revenues	<u>61,158,084</u>	<u>52,099,697</u>	<u>77,977,248</u>	<u>75,777,043</u>	<u>80,520,527</u>
Expenditures					
Commerce & Agriculture Markets Development & Improvements:					
Commerce Advertising	831,127	915,299	642,241	669,581	777,249
National & International Trade Services	8,407,949	8,137,038	7,914,149	7,872,919	8,417,048
Port Traffic Rate Management	174,178	144,191	174,390	178,537	186,590
Water Transportation Systems Planning:					
Port Facilities Planning	391,103	163,030	516,796	587,527	607,186
Port & Port Facility Management:					
Maintenance of Ports & Facilities	8,623,382	9,643,773	22,006,756	9,957,308	6,010,164
Port Facility Acquisition (Debt Service)	19,837,565	21,928,784	28,037,610	32,504,738	37,304,994
Security Services	3,880,999	4,018,676	4,268,821	5,009,447	5,474,080
Terminal Administration	3,353,181	1,753,459	1,198,033	1,162,867	1,312,350
Financial Assistance to Local Ports	<u>934,364</u>	<u>1,131,242</u>	<u>1,233,494</u>	<u>515,288</u>	<u>776,647</u>
Total Expenditures	<u>46,433,848</u>	<u>47,835,492</u>	<u>65,992,290</u>	<u>58,458,212</u>	<u>60,866,308</u>
Increase(Decrease) in Funds Available for Capital Projects	<u>\$ 14,724,236</u>	<u>\$ 4,264,205</u>	<u>\$ 11,984,958</u>	<u>\$ 17,318,831</u>	<u>\$ 19,654,219</u>

⁽¹⁾ Includes \$4 million receipts credited to the Commonwealth Port Fund in 2001 for lease purchase proceeds to be repaid through future Commonwealth Port Fund Revenues and other miscellaneous receipts.

⁽²⁾ General Fund and Other appropriations were made for specific projects and studies. The net affect 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.

LEADING EXPORTED AND IMPORTED GENERAL CARGO COMMODITIES FOR THE PORT OF HAMPTON ROADS CALENDAR YEAR 2000-2004

(Short Tons)

<u>Exports</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Pulp & Waste Paper	451,958	394,472	372,112	618,157	655,471
Logs & Lumber	516,906	539,216	519,493	580,433	583,688
Paper & Paperboard	420,487	453,903	459,034	413,284	408,051
Tobacco	257,893	290,314	278,760	292,358	214,541

<u>Imports</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Natural Rubber	231,023	159,658	177,877	369,189	335,606
Auto Parts	293,325	246,153	254,288	354,453	254,622
Alcoholic Beverages	238,086	294,371	350,699	443,516	478,541
Furniture	215,916	210,081	300,957	441,913	454,666

Sources: U.S. Bureau of Census, U.S. Maritime Administration and PERS

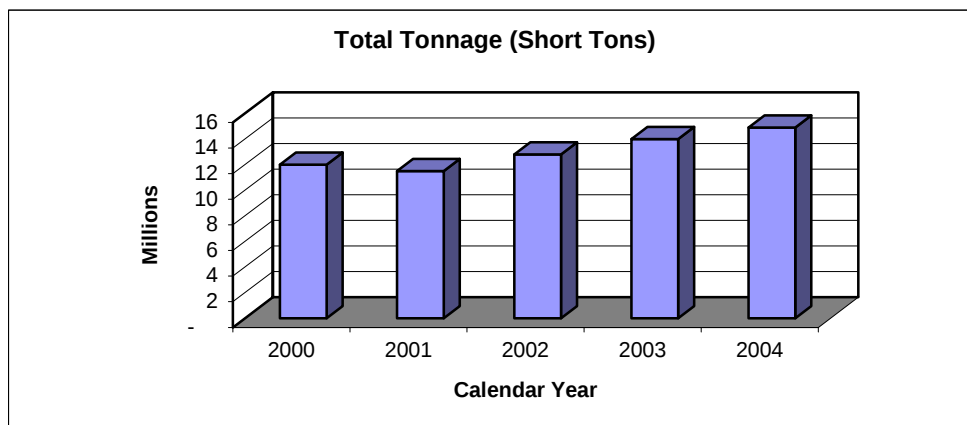
Presented below is information concerning volume of general cargo handled at all facilities located at Hampton Roads.

GENERAL CARGO STATISTICS FOR THE PORT OF HAMPTON ROADS* CALENDAR YEAR 2000-2004 (Short Tons)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Total for Port Facilities					
Breakbulk Tons	617,432	460,852	608,128	644,863	584,860
Container Tons	<u>11,351,673</u>	<u>11,078,554</u>	<u>12,216,302</u>	<u>13,338,754</u>	<u>14,272,820</u>
Total Tons	<u>11,969,105</u>	<u>11,539,406</u>	<u>12,824,430</u>	<u>13,983,617</u>	<u>14,857,680</u>

* Includes imported and exported cargo.

Source: Terminal Operators' Statistics



VIRGINIA PORT AUTHORITY

CONTINUING DISCLOSURE AGREEMENT

ANNUAL REPORT

FOR FISCAL YEAR ENDED

JUNE 30, 2005

**PORT FACILITIES REVENUE BONDS,
SERIES 1997**

**PORT FACILITIES REVENUE BONDS,
SERIES 2003**

BASE CUSIP NUMBER: 928077

VIRGINIA PORT AUTHORITY

**Continuing Disclosure Agreement
Annual Report**

**For Fiscal Year Ended
June 30, 2005**

Port Facilities Revenue Bonds, Series 1997

Port Facilities Revenue Bonds, Series 2003

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 EXPENDITURES
(Cash Basis)

Fiscal Year	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Special Fund	\$ 24,534,052	\$ 21,406,151	\$ 28,010,851	\$ 38,687,538	\$ 43,874,216
Commonwealth Port Fund	34,624,032 ⁽¹⁾	30,693,546	31,452,602	32,405,905	34,886,277
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Expenditures					
Commerce & Agriculture					
Markets Development & Improvements:					
Commerce Advertising	831,127	915,299	642,241	669,581	777,249
National & International					
Trade Services	8,407,949	8,137,038	7,914,149	7,872,919	8,417,048
Port Traffic Rate Management	174,178	144,191	174,390	178,537	186,590
Water Transportation					
Systems Planning:					
Port Facilities Planning	391,103	163,030	516,796	587,527	607,186
Port & Port Facility Management:					
Maintenance of Ports & Facilities	8,623,382	9,643,773	22,006,756	9,957,308	6,010,164
Port Facility Acquisition (Debt Service)	19,837,565	21,928,784	28,037,610	32,504,738	37,304,994
Security Services	3,880,999	4,018,676	4,268,821	5,009,447	5,474,080
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Financial Assistance to Local Ports	<u>934,364</u>	<u>1,131,242</u>	<u>1,233,494</u>	<u>515,288</u>	<u>776,647</u>
Total Expenditures	<u>46,433,848</u>	<u>47,835,492</u>	<u>65,992,290</u>	<u>58,458,212</u>	<u>60,866,308</u>
Increase(Decrease) in Funds Available for Capital Projects	<u>\$ 14,724,236</u>	<u>\$ 4,264,205</u>	<u>\$ 11,984,958</u>	<u>\$ 17,318,831</u>	<u>\$ 19,654,219</u>

⁽¹⁾ Includes \$4 million receipts credited to the Commonwealth Port Fund in 2001 for lease purchase proceeds to be repaid through future Commonwealth Port Fund Revenues and other miscellaneous receipts.

⁽²⁾ General Fund and Other appropriations were made for specific projects and studies. The net affect on Funds Available for Capital Projects is zero.

TABLE 2 - VIT REVENUES AND EXPENSES

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

Fiscal Year	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Revenues:					
Operating	\$133,187,656	\$129,324,835	\$150,095,364	\$173,104,337	\$202,674,827
Nonoperating	<u>1,381,395</u>	<u>852,313</u>	<u>991,876</u>	<u>136,548</u>	<u>772,187</u>
Gross Revenues	<u>134,569,051</u>	<u>130,177,148</u>	<u>151,087,240</u>	<u>173,240,885</u>	<u>203,447,014</u>
Expenditures:					
Operating & Maintenance Expenses	\$100,621,797	\$90,661,685	\$100,522,422	\$119,443,256	\$140,572,293
Administrative Expenses	<u>12,329,327</u>	<u>15,651,814</u>	<u>15,664,615</u>	<u>16,144,392</u>	<u>17,347,095</u>
Total Expenses	<u>112,951,124</u>	<u>106,313,499</u>	<u>116,187,037</u>	<u>135,587,648</u>	<u>157,919,388</u>
Income Before Transfers and Contributions⁽¹⁾	<u>\$21,617,927</u>	<u>\$23,863,649</u>	<u>\$34,900,203</u>	<u>\$37,653,237</u>	<u>\$45,527,626</u>

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

⁽¹⁾ The financial information relative to VIT set forth in this table is computed on an accrual basis. As a result, the amounts set forth in the line item “Income Before Transfers and Contributions” does not represent net cash transferred by VIT to the Authority. However, such information is an accurate representation of the financial performance of VIT.

TABLE 3 - OPERATING RESULTS AND DEBT SERVICE COVERAGE

	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Virginia International Terminals					
VIT Gross Receipts	\$ 138,139,565	\$ 129,316,922	\$ 144,304,559	\$ 170,344,524	\$ 197,703,653
VIT Current Expenses	(112,152,594)	(103,845,605)	(113,109,405)	(130,802,285)	(151,068,932)
* VIT CE Reserve (Deposit)/Withdrawal	-	-	1,641,000	-	-
VIT Deposits to CEMA	(3,005,698)	(5,666,237)	(2,099,601)	(2,342,407)	(5,392,809)
VIT Net Revenue	<u>22,981,273</u>	<u>19,805,080</u>	<u>30,736,553</u>	<u>37,199,832</u>	<u>41,241,912</u>
Virginia Port Authority					
VPA Gross Revenues					
VIT Net Revenue	22,981,273	19,805,080	30,736,553	37,199,832	41,241,912
Other Income	1,189,206	1,250,475	1,289,158	1,459,007	2,233,236
Interest Income	363,575	220,607	122,754	28,700	270,488
Total VPA Gross Revenues	<u>24,534,054</u>	<u>21,276,162</u>	<u>32,148,465</u>	<u>38,687,539</u>	<u>43,745,636</u>
VPA Current Expenses	(19,022,785)	(18,674,909)	(18,726,869)	(19,577,245)	(19,718,980)
Prior Obligations	<u>(112,280)</u>	<u>(112,280)</u>	<u>(112,280)</u>	<u>(112,280)</u>	<u>(112,280)</u>
VPA Net Revenues	<u>5,398,989</u>	<u>2,488,973</u>	<u>13,309,316</u>	<u>18,998,014</u>	<u>23,914,376</u>
VPA CPF for O & M	6,463,088	6,256,145	4,898,973	5,542,764	4,218,866
Debt Service Coverage					
Port Facilities Revenue Bonds					
Net Debt Service	6,316,635	6,309,393	6,416,000	9,373,336	9,771,261
Pledged Net Revenues	8,404,687	8,155,210	15,408,917	21,340,421	29,307,185
Pledged Adjusted Net Revenues	14,867,775	14,411,355	20,307,890	26,883,185	33,526,051
Pledged Net Revenue Coverage	<u>1.33</u>	<u>1.29</u>	<u>2.40</u>	<u>2.28</u>	<u>3.00</u>
Pledged Adjusted Net Revenue Coverage	<u>2.35</u>	<u>2.28</u>	<u>3.17</u>	<u>2.87</u>	<u>3.43</u>

* - For 2001, 2002, 2004, and 2005 the required CE reserve deposit was funded by a transfer from the VPA Reserve, Maintenance and Improvement Fund.

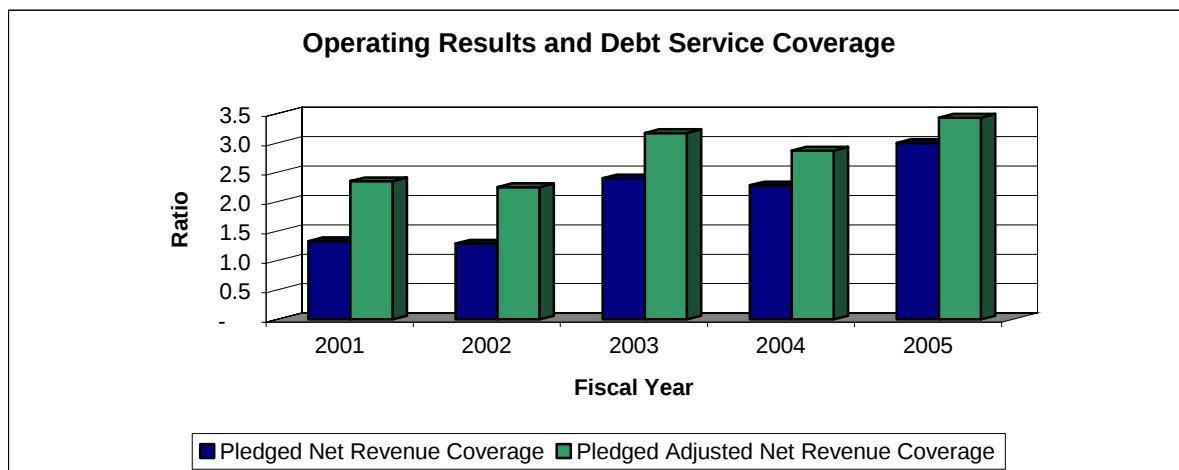


TABLE 4 - DEBT SERVICE REQUIREMENTS

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 Series 2003 Bonds and Series 1997 Bonds.

Period Ending <u>June</u> <u>30,</u>	Series 2003 Bonds and Series 1997 Bonds Debt Service								
	Series 1997 Bonds			Series 2003 Bonds			Aggregate Series 1997 Bonds and Series 2003 Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	2,095,000	4,762,956	6,857,956	965,000	2,518,150	3,483,150	3,060,000	7,281,106	10,341,106
2007	2,220,000	4,637,256	6,857,256	1,015,000	2,469,900	3,484,900	3,235,000	7,107,156	10,342,156
2008	2,350,000	4,504,056	6,854,056	1,065,000	2,419,150	3,484,150	3,415,000	6,923,206	10,338,206
2009	2,470,000	4,384,206	6,854,206	1,120,000	2,365,900	3,485,900	3,590,000	6,750,106	10,340,106
2010	2,600,000	4,255,766	6,855,766	1,165,000	2,321,100	3,486,100	3,765,000	6,576,866	10,341,866
2011	2,740,000	4,117,966	6,857,966	1,210,000	2,274,500	3,484,500	3,950,000	6,392,466	10,342,466
2012	2,885,000	3,970,691	6,855,691	1,260,000	2,226,100	3,486,100	4,145,000	6,196,791	10,341,791
2013	3,040,000	3,815,623	6,855,623	1,310,000	2,175,700	3,485,700	4,350,000	5,991,323	10,341,323
2014	3,215,000	3,643,863	6,858,863	1,360,000	2,123,300	3,483,300	4,575,000	5,767,163	10,342,163
2015	3,395,000	3,462,215	6,857,215	1,430,000	2,053,600	3,483,600	4,825,000	5,515,815	10,340,815
2016	3,585,000	3,270,398	6,855,398	1,505,000	1,980,313	3,485,313	5,090,000	5,250,711	10,340,711
2017	3,790,000	3,067,845	6,857,845	1,585,000	1,901,300	3,486,300	5,375,000	4,969,145	10,344,145
2018	4,005,000	2,853,710	6,858,710	1,665,000	1,818,088	3,483,088	5,670,000	4,671,798	10,341,798
2019	4,220,000	2,633,435	6,853,435	1,755,000	1,730,675	3,485,675	5,975,000	4,364,110	10,339,110
2020	4,455,000	2,401,335	6,856,335	1,845,000	1,638,538	3,483,538	6,300,000	4,039,873	10,339,873
2021	4,700,000	2,156,310	6,856,310	1,945,000	1,541,675	3,486,675	6,645,000	3,697,985	10,342,985
2022	4,960,000	1,897,810	6,857,810	2,030,000	1,456,581	3,486,581	6,990,000	3,354,391	10,344,391
2023	5,230,000	1,625,010	6,855,010	2,115,000	1,367,769	3,482,769	7,345,000	2,992,779	10,337,779
2024	5,520,000	1,337,360	6,857,360	2,210,000	1,275,238	3,485,238	7,730,000	2,612,598	10,342,598
2025	5,820,000	1,033,760	6,853,760	2,310,000	1,173,025	3,483,025	8,130,000	2,206,785	10,336,785
2026	6,150,000	707,840	6,857,840	2,425,000	1,060,400	3,485,400	8,575,000	1,768,240	10,343,240
2027	6,490,000	363,440	6,853,440	2,545,000	942,213	3,487,213	9,035,000	1,305,653	10,340,653
2028				2,665,000	818,163	3,483,163	2,665,000	818,163	3,483,163
2029				2,795,000	688,275	3,483,275	2,795,000	688,275	3,483,275
2030				2,920,000	562,500	3,482,500	2,920,000	562,500	3,482,500
2031				3,055,000	431,100	3,486,100	3,055,000	431,100	3,486,100
2032				3,190,000	293,625	3,483,625	3,190,000	293,625	3,483,625
2033				3,335,000	150,075	3,485,075	3,335,000	150,075	3,485,075

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.

LEADING EXPORTED AND IMPORTED GENERAL CARGO COMMODITIES FOR THE PORT OF HAMPTON ROADS CALENDAR YEAR 2000-2004

(Short Tons)

<u>Exports</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Pulp & Waste Paper	451,958	394,472	372,112	618,157	655,471
Logs & Lumber	516,906	539,216	519,493	580,433	583,688
Paper & Paperboard	420,487	453,903	459,034	413,284	408,051
Tobacco	257,893	290,314	278,760	292,358	214,541
<u>Imports</u>					
Natural Rubber	231,023	159,658	177,877	369,189	335,606
Auto Parts	293,325	246,153	254,288	354,453	254,622
Alcoholic Beverages	238,086	294,371	350,699	443,516	478,541
Furniture	215,916	210,081	300,957	441,913	454,666

Sources: U.S. Bureau of Census, U.S. Maritime Administration and PIERS

Presented below is information concerning volume of general cargo handled at all facilities located at Hampton Roads.

GENERAL CARGO STATISTICS FOR THE PORT OF HAMPTON ROADS* CALENDAR YEAR 2000-2004 (Short Tons)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Total for Port Facilities					
Breakbulk Tons	617,432	460,852	608,128	644,863	584,860
Container Tons	<u>11,351,673</u>	<u>11,078,554</u>	<u>12,216,302</u>	<u>13,338,754</u>	<u>14,272,820</u>
Total Tons	<u>11,969,105</u>	<u>11,539,406</u>	<u>12,824,430</u>	<u>13,983,617</u>	<u>14,857,680</u>

* Includes imported and exported cargo.

Source: Terminal Operators' Statistics

