

Virginia Port Authority Board of Commissioners
Finance and Audit Committee Meeting
November 17, 2014

The Virginia Port Authority (“VPA”) Finance and Audit Committee (“Committee”) held a meeting on November 17, 2014, in the VPA’s Conference Room, 600 World Trade Center, Norfolk, Virginia. Finance and Audit Committee Chairman, G. Robert Aston, Jr., called the meeting to order at 3:48 p.m.

The following were then in attendance:

Finance and Audit Committee Members Present:

G. Robert Aston, Jr., Chair
Gary T. McCollum, Vice Chair
Manju S. Ganeriwala, State Treasurer
Kim Scheeler
Deborah C. Waters

Board Members Present:

John G. Milliken, VPA Chairman
John N. Pullen, VPA Vice Chairman
J. William Cofer
Alan A. Diamonstein
Gary T. McCollum
Val S. McWhorter

VPA Staff:

John F. Reinhart, CEO/Executive Director
Rodney W. Oliver, Chief Financial Officer
Cathie France, Chief Public Affairs Officer
James Bibbs, Chief Human Resources Officer
James W. Noel, III, General Counsel
Colleen Callahan, Human Resources and Legal Analyst
Carla Welsh, Director, Creative Services and Brand Management
Debra J. McNulty, Clerk to the Board

VIT Staff:

Joseph P. Ruddy, Chief Operating Officer
Thomas D. Capozzi, Chief Sales Officer
Shawn Tibbetts, Vice President, Operations and Maintenance
Matthew Barnes-Smith, Vice President, Financial Planning & Analytics
Chris D’Surney, Director of Human Resources

Guests:

Tom Brooks, PBMares, LLP
Harvey Johnson, PBMares, LLP
Greg Bussink, CliftonLarsonAllen
Remi Omisore, CliftonLarsonAllen
JoAnne Carter, PFM Group (VPA Financial Advisor)
William W. Harrison, Jr., Williams Mullen (VPA Bond Counsel)

Guests (continued):

Cory Meyers, Hewitt EnnisKnupp, Inc. (an Aon Company)
Evelyn S. Traub, Troutman Sanders LLP
Robert McCabe, *The Virginian-Pilot*

Mr. Ruddy conducted the safety briefing.

Motion for Closed Session

At 3:48 p.m., Mr. Aston asked for a motion to go into closed session at this time. Motion was made by Mr. Pullen to go into closed session in accordance with the Virginia Freedom of Information Act, pursuant to the requirements of Code §2.2-3711(A)(38), and the provisions of §62.1-132.4, to discuss proprietary information and data furnished to it in confidence, as well as the requirements of §2.2-3711(A)(1), to discuss and consider the performance and salaries of public officers or employees of the VPA, and §2.2-3711(A)(7) to consult legal counsel regarding specific legal matters requiring the provision of legal advice by such counsel, with all of the aforementioned closed meeting authorizations pertaining to retirement plan harmonization and personnel changes under the POV corporate reorganization; and pursuant to the requirements of §2.2-3711(A)(7) to consult with legal counsel on litigation developments relevant to port operations and maintenance; and pursuant to §2.2-3711(A)(38), and the provisions of §62.1-132.4, to discuss proprietary FY14 budget and financial information and data furnished to the VPA in confidence, including the Audited Financial Results for Virginia International Terminals, LLC.”

The motion was seconded by Mr. McCollum.

(Secretary Layne arrived during the closed session.)

End of Closed Session

At 4:43 p.m., the Finance and Audit Committee came out of closed session with motion made by Mr. Pullen and seconded by Mr. McCollum. A roll call vote of the Finance and Audit Committee members, Chairman, and Vice Chairman, certifying the closed session, was conducted as follows:

Ayes: 7 (Aston, McCollum, Ganeriwala, Scheeler, Waters, Milliken, Pullen)

Nays: 0

Absent During Vote: 0

Absent During Meeting: 0

The following open session topics were then discussed:

1. Presentation of Fiscal Year-End June 30, 2014 Audited Financial Results for the Virginia Port Authority, by CliftonLarsonAllen

A copy of Mr. Bussnick’s presentation which includes major topics covered is attached.

Mr. Aston thanked the staff and auditors for their work. Mr. Oliver recognized members of his staff - Cindy Robins and Wendy King - for their work on the Comprehensive Annual Financial Report (CAFR) for fiscal year ended June 30, 2014.

2. Consideration of Resolution 14-11, approving Pension, Defined Contribution, and Deferred Compensation Plan changes in connection with reorganization/harmonization

Ms. Evelyn Traub explained that Resolution 14-11 asks for Board approval of amended pension plan documents that relate to the harmonization of benefits between VPA and VIT, and a discussion ensued.

Action: Upon motion by Mr. Milliken, seconded by Ms. Ganeriwala, the Finance and Audit Committee agreed to recommend that the full Board adopt Resolution 14-11, approving Pension, Defined Contribution, and Deferred Compensation Plan changes in connection with reorganization/harmonization.

3. Consideration of Resolution 14-12, approving delegation of fiduciary and administrative duties under Pension, Defined Contribution, and Deferred Compensation Plans

Ms. Traub explained the purpose of Resolution 14-12 and reviewed fiduciary duties of the Board.

Action: Upon motion by Mr. Milliken, seconded by Ms. Ganeriwala, the Finance and Audit Committee agreed to recommend that the full Board adopt Resolution 14-12, approving delegation of fiduciary and administrative duties under Pension, Defined Contribution, and Deferred Compensation Plans.

4. Presentation of debt refunding opportunity and timeline by PFM Group

A copy of Ms. Carter's presentation is attached.

5. Review of blanket debt refunding bond Resolutions 14-13 and 14-14.

A discussion ensued over whether refunding savings would be taken over time throughout the term of the bonds or up front, and as a result of said discussion, a change to the resolution was presented for consideration.

The following actions were taken:

Action: Upon motion by Mr. Milliken, seconded by Mr. McCollum, the Finance and Audit Committee agreed to recommend that the full Board adopt Resolution 14-13, supplementing Resolution 97-5, as previously amended and supplemented, authorizing the issuance of Port Facilities Revenue Refunding Bonds in Calendar Year 2015, granting authority to the Executive Director of Virginia Port Authority to approve the issuance of such bonds and related matters.

Action: Upon motion by Mr. Milliken, seconded by Ms. Ganeriwala, the Finance and Audit Committee agreed to recommend that the full Board adopt Resolution 14-14, supplementing Resolution 02-4, as previously amended and supplemented, authorizing the issuance of Commonwealth Port Fund (CPF) Revenue Refunding Bonds in Calendar Year 2015, granting authority to the Executive Director of Virginia Port Authority to approve the issuance of such bonds and related matters.

6. Review of Manager Search Report and Consideration of Resolution 14-15, recommending revisions to available investment funds in Defined Contribution Plan and Deferred Compensation Plan

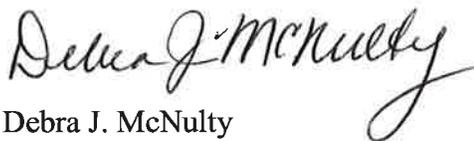
It was reminded by Mr. Oliver that the Board approved investment fund changes that included the replacement of two underperforming funds, at the September 16th meeting. Mr. Cory Meyer announced that, after a search for replacements, it was determined two investment funds would be removed and replaced, with funds automatically mapped to the respective institutional share, as follows:

American Funds Growth Fund of America R-6a - **replace with – Harbor Capital Appreciation Inst**
Royce Low Price Stock Fund Instl – **replace with – Cambiar Small Cap Inst**

Action: Upon motion by Mr. Milliken, seconded by Mr. Aston, the Finance and Audit Committee agreed to recommend that the full Board adopt Resolution 14-15, revisions to available investment funds in the VPA Defined Contribution Plan and Deferred Compensation Plan.

There were no public comments and the meeting adjourned at 5:20 p.m.

Respectfully submitted,

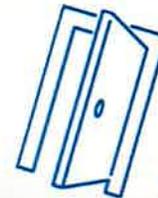


Debra J. McNulty
Clerk to the Board



CliftonLarsonAllen

CLAconnect.com



VIRGINIA PORT AUTHORITY

Audit Results for the Year Ended June 30, 2014

November 17, 2014

Agenda

- 2014 Audit Results
 - Governance Communication
 - 2014 Audit Focus Areas
 - Financial Recap
 - Responsibilities
 - Required Communications
 - Emerging Industry Issues
- Questions

2014 Audit Results

Governance Communication

- Unmodified Opinion on the financial statements
- Auditor's responsibility
 - Audit performed in accordance with Generally Accepted Auditing Standards (GAAS)
- Accounting policies
 - GASB Statement No. 65 adopted in fiscal 2014
- Significant estimates
 - Allowance for uncollectible receivables
 - Useful lives of capital assets
 - Liability for postemployment benefits
 - Compensated absences
- No significant corrected or uncorrected misstatements
- No disagreements with management or difficulties encountered

2014 Audit Results

Audit Focus Areas

- GASB 65 implementation
- Cash and Investments
- Revenue recognition, including related receivables
- Debt management, compliance and issuance costs
- Grant compliance
- Payroll expenses and related accruals
- Significant estimates

2014 Audit Results

Financial Recap

- Net position of the Authority has decreased by \$18m from 2013 to 2014 but assets still exceed liabilities
- Consistent with prior years, the operating loss is supplemented by non-operating revenues and capital contributions
- Operating Revenues decreased \$15.1m as a result of reduced operating transfers from VIT
- Reclassification of Bond issuance costs and interest expense in accordance with GASB 65.

2014 Audit Results

Grant Compliance

- Major Program Tested
 - America's Highways
- Communicating Internal Control Related Matters Identified in an Audit
 - Defines deficiency, significant deficiency, and material weakness.
 - No material weaknesses noted identified
 - No “other matters”

Responsibilities in a Financial Statement Audit

- Those Charged with Governance
 - Oversight of the audit process
- Management
 - Preparation of financial statements
 - Selection of accounting policies
 - Design and implementation of internal controls over financial reporting
- Auditors
 - Perform an audit in accordance with GAAS
 - Issue auditor's opinion

Responsibilities under GAAS

- We are responsible for:
 - Expressing an opinion on whether financial statements are presented fairly in conformity with U.S. Generally Accepted Accounting Principles in all material respects.
 - Expressing an opinion only over the financial statements identified in our report. Other information included in your financial statement package (management’s discussion and analysis) was read/reviewed, but not subject to audit testing.
 - Performing audit in accordance with required auditing standards.
 - Communication of significant matters related to the audit, including information required by law/regulations.

Responsibilities under GAAS (continued)

An audit in accordance with GAAS:

- Does not relieve management of its responsibilities to prepare the financial statements in accordance with generally accepted accounting principles (GAAP)
- Includes consideration of internal control as basis for audit procedures, but not to opine on effectiveness of internal controls. Management is responsible for designing and implementing internal controls over financial reporting and compliance.
- Does not guarantee that internal controls will continue to function in the future.

New Accounting Standards

- **June 30, 2015**

- Statement 68 – Pensions-Employers

- ◇ A government participating in a cost-sharing plan would report a liability in its own financial statements that is equivalent to its proportionate share of the net pension liability of all the employers in the cost-sharing plan

- **June 30, 2015**

- Statement 71 –Employers

- ◇ Provided clarification of Statement 68 for contributions made after the measurement date.

Questions and Discussion

We welcome any questions pertaining to the audit, matters of communication letters, or other matters related to the engagement.

We appreciate the opportunity to serve as the auditors for the Virginia Port Authority and welcome any feedback relative to our performance.

Thank you!



Greg Bussink, CPA, CGFM

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Virginia Port Authority

Market Update

November 3, 2014

\$87,430,000*

Port Facilities Revenue Refunding Bonds
(*Preliminary, Subject to Change)



Prepared by



The PFM Group
Financial & Investment Advisors

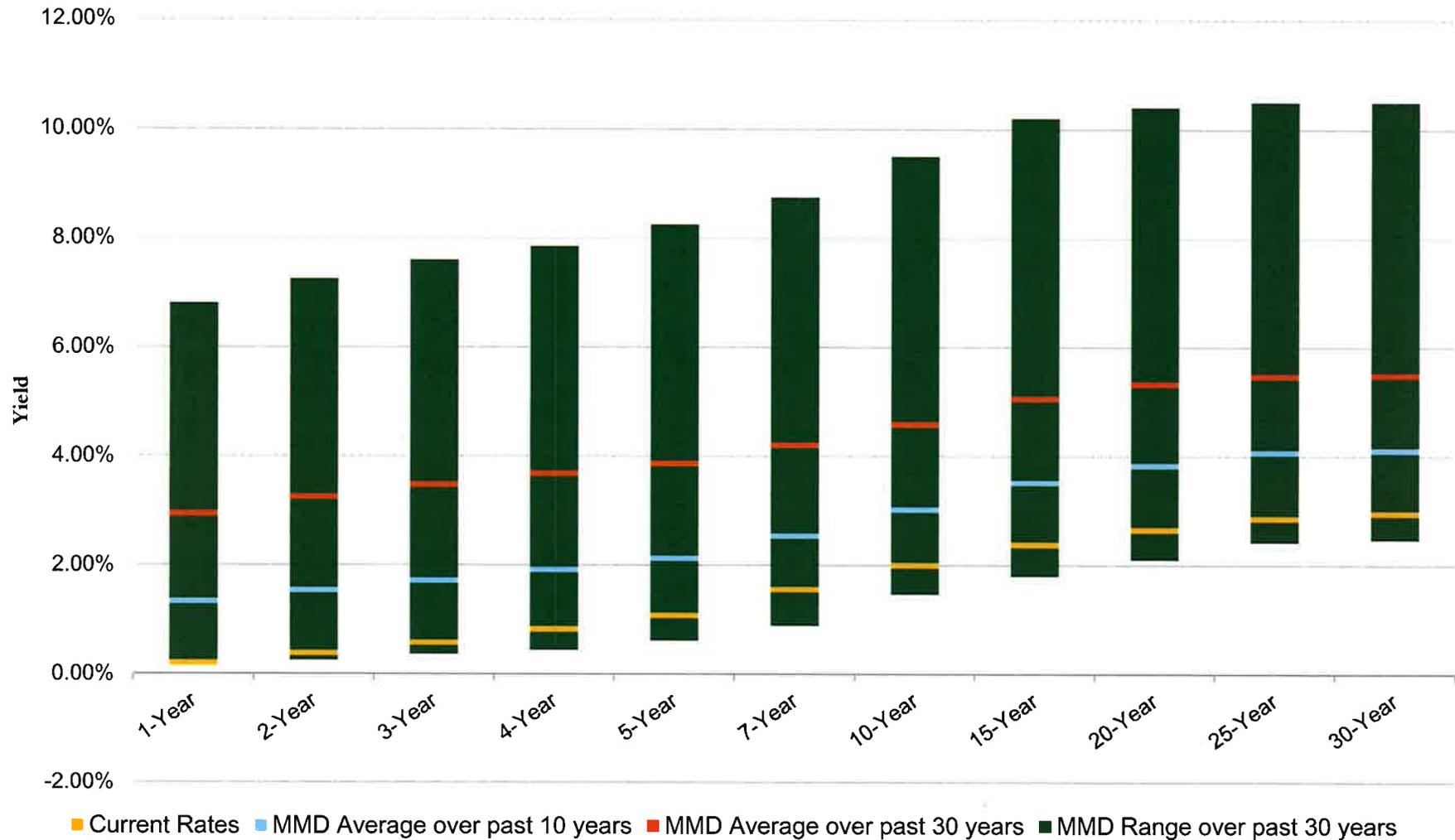
4350 N Fairfax Drive, Suite 560
Arlington, VA 22203
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901 East Byrd Street, Suite 1110
Richmond, VA 23219
804-780-2850

Tax-Exempt Municipal Interest Rates

30-Year History

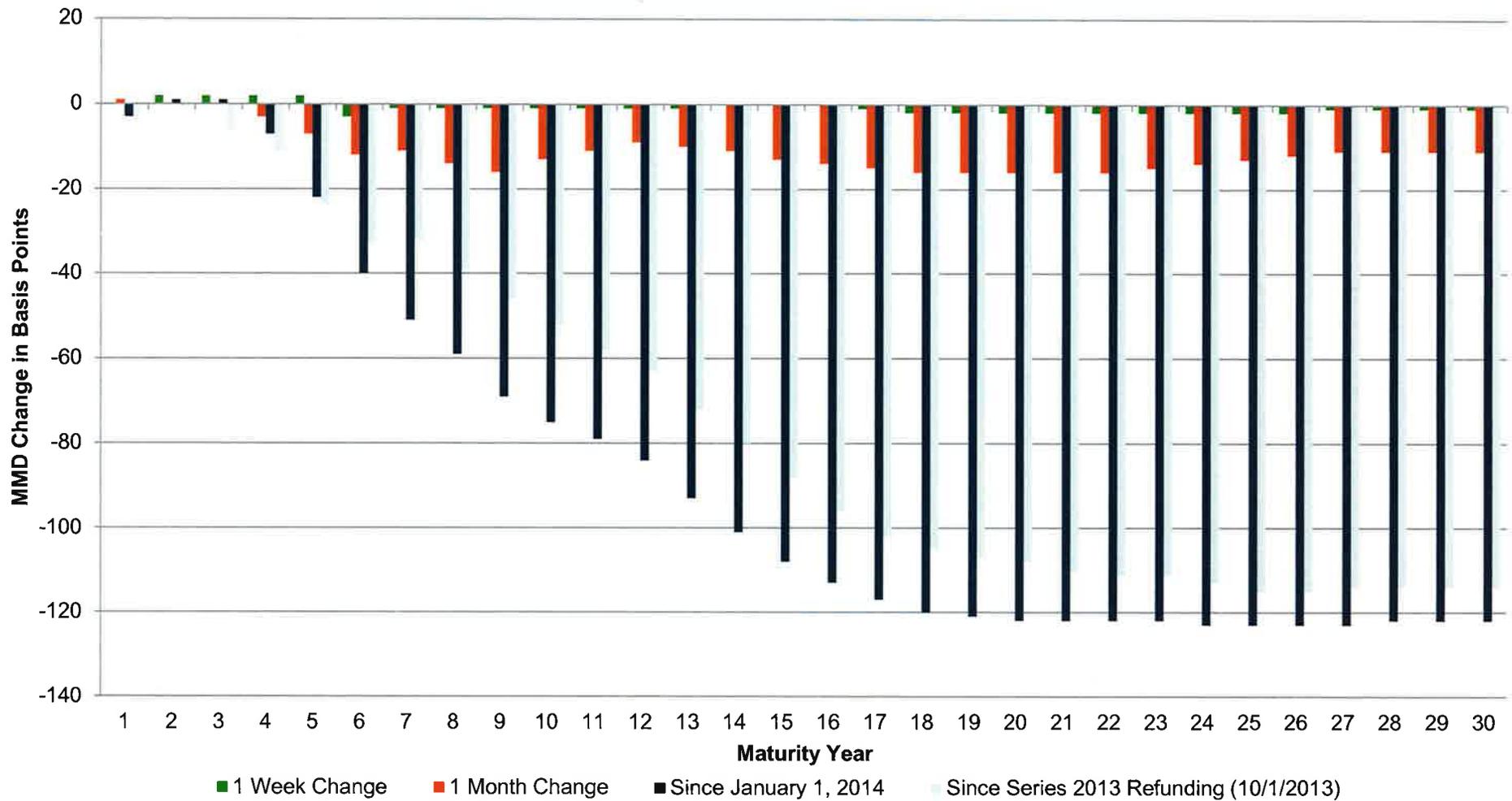
Since the start of the calendar year, interest rates have fallen steadily.



Source: Thomson Municipal Market Monitor, as of October 30, 2014

Recent Interest Rate Movements

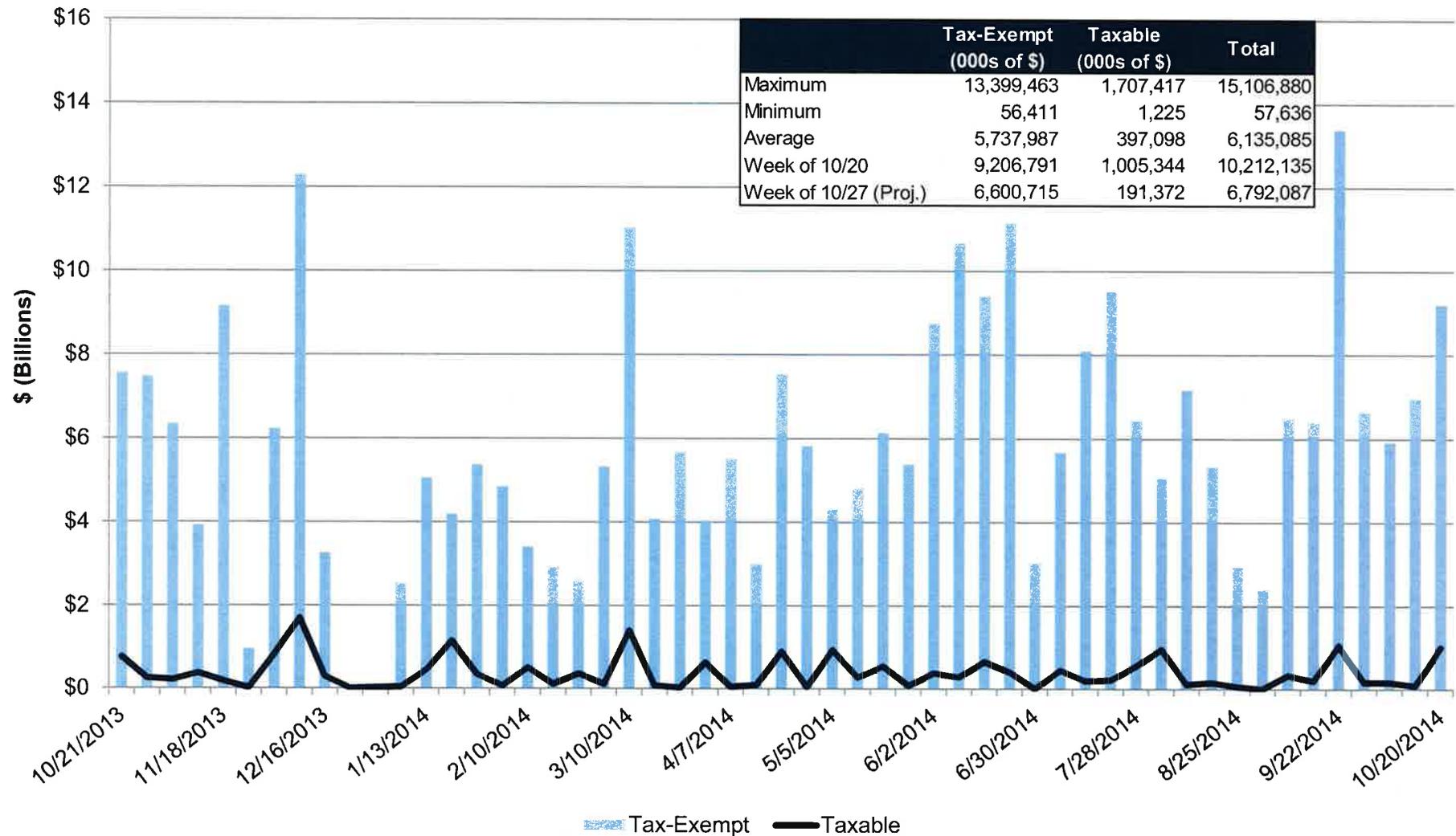
MMD Yield Curve Changes As of 10/30/2014



Source: Thomson Municipal Market Monitor, as of October 30, 2014

Municipal Bond Volume

Weekly Municipal Supply



Source: Thomson Municipal Market Monitor, as of October 30, 2014

Potential Refunding

Preliminary Refunding Statistics

Principal*	\$87.4 million
Purpose	Refund all outstanding callable Series 2003 and Series 2006 Bonds (maturities in FY29-FY36)
Refunded Principal*	\$96.1 million
Tax Status	Tax-Exempt (Subject to AMT)
Cash flow Savings*	\$63k - \$300k (FY15-FY28) \$1.3 million (FY29-FY36)
NPV Savings*	\$8.3 million
NPV Savings as a % of Refunded Par*	8.60%
Average Life*	18.2 years
True Interest Cost*	4.17%

*Preliminary, subject to change. Market conditions as of October 30, 2014. Assumes ratings in the A-category.

Key Milestones

Activity	Timeframe
Consideration of Resolution by VPA Board:	November 18, 2014
Rating Meetings:	Early January 2015
Ratings Expected:	Mid-January 2015
Preliminary Official Statement (POS) distributed:	Late January 2015
Negotiated Pricing:	Early February 2015
Settlement:	Mid-February 2015
