THE PORT OF VIRGINIA®

# VIRGINIA PORT AUTHORITY ©

## Comprehensive Annual Financial Report
## For Fiscal Year ended June 30, 2020


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

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE

# VIRGINIA PORT AUTHORITY

A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA

FOR THE

## FISCAL YEAR ENDED JUNE 30, 2020

Prepared by

The Finance Division of the
Virginia Port Authority

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John F. Reinhart
CEO/Executive Director

Virginia Port Authority
600 World Trade Center
Norfolk, VA 23510

September 29, 2020

Dear Customers, Stakeholders and Port Partners:

FY2020 was a watershed year for The Port of Virginia®: we made significant progress on the capacity expansion project at Norfolk International Terminals (NIT) with the work quickly nearing completion; Portsmouth Marine Terminal became a dedicated multi-use terminal available for project and other non-container business; we generated positive operating cash flow of $133 million, and grew our liquidity by $25 million. We achieved all of this and much more while focusing on the health and safety of our team and stakeholders in the midst of a global pandemic and depressed shipping volumes.

In addition to our land-side achievements, our effort to make Virginia home to the deepest commercial port on the U.S. East Coast is underway and progressing ahead of schedule. Our vision of a Norfolk Harbor that is 55 feet deep and served by channels wide enough to safely accommodate two-way traffic of the biggest ships afloat is becoming a reality that no other East Coast port will have.

With the support and governance of Gov. Ralph S. Northam, Transportation Secretary Shannon Valentine, the Virginia Legislature and the Virginia Port Authority Board of Commissioners, we are looking beyond the limitations of the current environment and diversifying our capability like never before. We are helping Virginia to become a load-center for the growing Mid-Atlantic offshore-wind industry, we are innovating ways to enhance productivity in spite of the pandemic, and we are preserving the port and Commonwealth's sustainability through well-informed investment and responsible management of the capital that has been entrusted to us.

With the substantial completion of the NIT expansion we have created the capacity to process 1 million additional container units annually through our primary container terminals. We are leveraging our technology investments to improve the delivery of service and efficiency -- and our focus on safety is steadfast. The result is sustainable cost advantages for our stakeholders, economic investment and job creation across Virginia and the growing reputation of a world-class port.

Some of the more notable highlights from the 12 months that ended June 30, 2020, include:

**July 2019**

- Following three years of construction, Virginia's Governor and several dignitaries meet at Virginia International Gateway (VIG) to christen the newly-expanded terminal, one of the most modern in the Western Hemisphere.

**August 2019**

- The port, as part of a group of maritime industry partners, supported relief efforts for the Bahamas following Hurricane Dorian. The port collaborated with partners from across the industry to fill shipping containers with essentials to support those in need.

**September 2019**

- The 2019 Lloyd's List Port Management and Infrastructure Americas Award goes to The Port of Virginia for its VIG infrastructure project: a three-year, $312 million investment that reimagined and reengineered one of the nation's most modern terminals.

**October 2019**

- The port signs the contract to begin dredging on the 55-foot project, deepening the western side of the Thimble Shoal Channel to 56 feet. The $350 million project includes dredging shipping channels to 55 feet and widening the channel to more than 1,400 feet in specific areas. When complete as early as 2024, the Norfolk Harbor commercial channels will simultaneously accommodate two, ultra-large container vessels.

**December 2019**

- The port's journey to becoming the deepest port on the U.S. East Coast gets underway as dredging begins nearly two-and-a-half years ahead of schedule. When dredging is complete as early as 2024, Virginia will be home to the deepest commercial port on the U.S. East Coast.
- A study conducted by The College of William & Mary that focuses on the overall value of the port to the Virginia economy during fiscal year 2018 (FY2018) shows the port is responsible for more than 397,000 jobs and $92 billion in total spending.

**January 2020**

- The Port of Virginia sets a new annual record for container cargo volume, having handled nearly 3 million TEUs (twenty-foot equivalent units) in 2019, a 3 percent increase over 2018.

**March 2020**

- The port responds immediately to the COVID-19 pandemic by implementing a cross-divisional planning and response team utilizing its Continuity of Operations Plan, which provides the framework for managing events that have a significant impact on port operations. The Port of Virginia terminals and facilities are categorized as critical infrastructure and continued to operate at full capacity, executing on the port's "critical cargo initiative" to support the flow of needed COVID-19 tests and medical supplies.

We have been blessed with a deep natural harbor that is 18 miles from the open water of the Atlantic Ocean and within a day's drive of two-thirds of the nation's population. From a manmade perspective, we have the versatility to handle anything from automobiles to coffee to military cargo to grain and components for the development of massive offshore wind turbines. We have double-stack, on-dock rail service provided by the East's two Class I railroads, Norfolk Southern and CSX, which gives us reach into many important Midwestern populations and manufacturing centers.

We refuse to be limited by the challenges of today. We will sustain our capital, protect our people, invest in tomorrow, and maintain a faithful allegiance to our ultimate mission:

***Deliver opportunity by driving business to, and through, the Commonwealth***

Sincerely Yours,

John F. Reinhart
CEO and Executive Director

Rodney W. Oliver
*Chief Financial Officer*

**Virginia Port Authority**
600 World Trade Center
Norfolk, VA 23510

September 29, 2020

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

Dear Commissioners:
The Comprehensive Annual Financial Report (CAFR) of the Virginia Port Authority ("VPA" or "the Authority") for the fiscal year ended June 30, 2020, as required by §62.1-139 of the *Code of Virginia* for submission to the Governor and General Assembly on or before November 1 of each year, is hereby submitted.

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

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

The auditors at PBMares, LLP have issued an unmodified opinion on the Authority's financial statements as of and for the year ended June 30, 2020. The independent auditor's report is located at the beginning of the financial section of this report.

Management's discussion and analysis (MD&A) can be found at the beginning of the financial section, after the audit opinion, and provides a narrative introduction, overview and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

## Profile of the Virginia Port Authority

The Virginia Port Authority was established in 1952, as a political subdivision of the Commonwealth of Virginia, for the purpose of performing any act or function which may be useful in developing, improving, or increasing the commerce of the ports of the Commonwealth. The Authority, over the years, has acquired and unified certain port facilities for the benefit of the Commonwealth. The Authority owns and is responsible for the operations and security of three marine terminals: Norfolk International Terminals (NIT), Portsmouth Marine Terminal (PMT), and Newport News Marine Terminal (NNMT), and an inland intermodal facility, the Virginia Inland Port (VIP) located in Front Royal, Virginia. In addition, the Authority has a capital lease for the use and operation of the Virginia International Gateway Terminal (VIG) and an operating lease for the Richmond Marine Terminal (RMT). These facilities primarily handle import and export containerized, break-bulk, and ro-ro cargoes.

The Authority is overseen by a 13 member Board of Commissioners - the State Treasurer, the Chief Executive Officer of the Virginia Economic Development Partnership, and 11 citizens appointed by the Governor. The Board of Commissioners, the VPA CEO and Executive Director and his team, and the management of our component unit, Virginia International Terminals, LLC (VIT), work to promote, develop, and increase commerce at the ports of Virginia, and other port related industries in the Commonwealth.

VIT was established in 1981 and in 1982 began to operate the facilities controlled by the Authority. VIT operates the facilities pursuant to its Operating Agreement. Effective August 17, 2013, VIT was converted from a nonprofit, non-stock corporation to a single-member limited liability company with VPA as its sole member. VIT's financial information is presented in the Authority's financial statements as a blended component unit. As a component unit, VIT is a legally separate organization that serves or benefits those outside of the Authority, but for which the Authority, as the primary institution, is financially accountable or closely related. The financial statements of VIT were audited separately. The VIT budget is prepared annually and approved by the VPA Board of Commissioners prior to July 1 of each fiscal year. More detailed information can be found in the footnotes to the financial statements.

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

## Finance and Risk Management

Enterprise funds are used to account for proprietary operations, similar to private business operations where the operating costs are funded through user charges. The Virginia Port Authority has one such enterprise fund to which all accounts are organized and accounted for as a single reporting entity. The Authority's primary source of funding for its operations is through the net revenues generated from terminal operations and subsequently transferred from VIT. Capital improvements are primarily funded through long-term debt, capital grants, allocations of certain revenues collected by the Commonwealth, and cash flow from operations.

Interest rates remain at favorably low levels and continue to allow opportunities for the restructure of some of our debt through refunding, saving millions of dollars over the lives of the debt. The Authority is working to provide the most benefit to our citizens and customers at the least cost, and will continuously explore cost saving opportunities.

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

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

## Virginia Port Authority and the Economy

The port's success has generated significant economic spin-off benefits to the Commonwealth. Annually, port-related business and activity directly and indirectly contribute to Virginia's economy and account for more than 397,000 jobs, nearly one tenth of the state's resident workforce. The positive effects of our evolution reverberate throughout Virginia. In FY2020, the port helped drive businesses to invest $1.4 billion resulting in the development of 8.4 million square feet of space that is expected to generate more than 5,300 new jobs for Virginians. Our economic development focus and partnership with the Virginia Economic Development Partnership (VEDP) enables these trends to continue. Household names like Amazon, Wal-Mart, Target, Ace Hardware, Lumber Liquidators, and Keurig Green Mountain have all established distribution/manufacturing facilities in the Commonwealth in large measure due to the presence of a world class port facility and structure.

## Long-Term Financial Planning

Global geopolitical trade tensions and the COVID-19 pandemic negatively affected international trade throughout the world, and during FY2020 The Port of Virginia was not immune to the impacts. As the first two months of FY2021 have come to a close, the port has experienced a rebound in volume, although not yet back to pre-COVID-19 levels. Nonetheless, over the next fifteen years, containerized cargo volume is expected to increase by over 45%. The Port of Virginia plans to meet this demand with the expansion of the VIG terminal, completed in FY2020, and multiple phases of expansion at NIT. The Hampton Roads region is also mobilizing around the opportunity to develop 20-60 million square feet of supporting distribution center space. The depth of our harbor, having the ability to accommodate the "post-Panamax" vessels and deep-loaded container ships, makes The Port of Virginia a viable option for the changing flow of global freight traffic. Virginia is in the position to become a primary international gateway for the East Coast.

The Port of Virginia organization is unique in the industry and has a proven track record for success. For over 30 years, this structure resulted in phenomenal growth, benefiting not only Virginians but also the entire U.S. The Authority continues to re-engineer operations to better serve our customers while being a catalyst to economic expansion within the Commonwealth. We have been charged to develop The Port of Virginia into the primary gateway for international cargo transported through the Mid-Atlantic and Mid-West regions of the United States.

## Major Initiatives

In fiscal year 2017, VPA successfully negotiated an extension of the Virginia International Gateway lease to secure the terminal through 2065. The capital lease deal included $312 million in private funding for expansion of the terminal to virtually double existing capacity. Just after the end of fiscal year 2019 the VIG expansion project was completed, on time and under budget. In parallel to the VIG lease deal, the Governor, Secretary of Transportation, and General Assembly with great foresight recognized the ability of the Port of Virginia to drive economic expansion in the Commonwealth and approved $350 million in funding to assist in expanding the southern section of Norfolk International Terminals, the largest terminal in the port. Shortly after the end of FY2020, all of the 30 stacks contemplated in the NIT expansion project were in operation and the overall project is expected to be completed by calendar year end 2020. The completion of those two projects will increase container handling capacity by a much needed one million containers and allow the Authority to focus attention on non-container developments at the other terminals, in particular at PMT.

In June, 2018 the Governor and both legislative chambers approved a $350 million investment in the port's *Wider, Deeper, Safer* effort. This project will deepen the port's channels to 55 feet deep and widen the channels to allow two way traffic for ultra-large container vessels. The project will be executed in two phases, with a 2024 targeted completion date. Initial dredging began in December 2019.

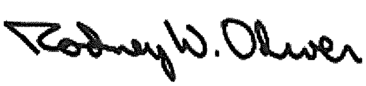
## Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Virginia Port Authority for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2019, which was the fourteenth consecutive year that the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We intend to submit our CAFR for the fiscal year ended June 30, 2020 to the GFOA to determine its eligibility for continued certification. We believe that the fiscal year 2020 report will continue to meet the Certificate of Achievement Program's requirements.

The port received the 2019 Lloyd's List Port Management and Infrastructure Americas Award for its VIG infrastructure project, a three-year, $312 million investment that reimagined and reengineered one of the nation's most modern terminals.

Preparation of the CAFR, as always, represents the combined effort of the entire finance division of the Virginia Port Authority and auditors at PBMares, LLP. Finally, we express our deepest appreciation to the members of the Virginia Port Authority Board of Commissioners for their continued guidance, support and leadership towards ensuring the fiscal integrity of the Virginia Port Authority.

Respectfully Submitted,



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

*Wider, Deeper, Safer* ® is a trademark of Virginia Maritime Association and is used with permission.

Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Virginia Port Authority**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

**June 30, 2019**

Christopher P. Morrill

Executive Director/CEO

**VIRGINIA PORT AUTHORITY**

Norfolk, Virginia

**BOARD OF COMMISSIONERS**

**June 30, 2020**

John G. Milliken, Chairman

F. Blair Wimbush, Vice Chairman

John C. Asbury
Jennifer D. Aument
J. William Cofer
Eva Teig Hardy
Joni L. Ivey

Val S. McWhorter
Faith B. Power
Louisa M. Strayhorn
Deborah C. Waters

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

Stephen M. Moret, President and Chief Executive Officer, Virginia Economic Development Partnership

**APPOINTED OFFICIALS**

John F. Reinhart, CEO and Executive Director

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

Debra J. McNulty, Clerk and Secretary to the Board

Jodie L. Asbell, Senior Executive Administrative Assistant to the Executive Director

# The Port of Virginia Organizational Chart

- **Virginia Port Authority Board of Commissioners**
  - Debbie McNulty, Secretary to the Board
  - **John Reinhart, CEO/Executive Director**
    - Jodie Asbell, Sr Exec Admin Asst & Deputy Secretary to the Board
    - Operating Agreement — **Virginia International Terminals, LLC**
    - **Sarah McCoy, General Counsel / Asst Atty General**
      - › Contracts
      - › Risk Mgmt
      - › Real Estate
      - › Compliance
      - › Insurance
    - **Monica Sturgis, Chief Human Resources Officer**
      - › Benefits
      - › Learning and Development
      - › Training
      - › Talent Acquisition
      - › Records Mgmt
      - › Strategic Business Partnering
    - **Joe Ruddy, Chief Innovation Officer**
      - › Customer Service
      - › Process Excellence
      - › Strategic Planning
      - › Analytics
      - › Supply Mgmt
      - › Asset Mgmt
    - **Cathie Vick, Chief Development & Govt Affairs Officer**
      - › Gov't Affairs
      - › Economic Development
      - › Sustainability
      - › MIRT / Emergency Ops
    - **Rodney Oliver, Chief Financial Officer**
      - › Finance
      - › Treasury
      - › Accounting
      - › Financial Reporting
      - › Budget
    - **Jay Stecher, Chief Marketing Officer**
      - › Communications
      - › Graphic Design
      - › Production
      - › Event Planning

- **Virginia International Terminals, LLC**
  - **Kevin Price, Chief Operations Officer**
    - › Health & Safety
    - › Terminal Ops
    - › Maintenance
    - › Project Team
    - › IT
  - **Tom Capozzi, Chief Sales Officer**
    - › Carrier Sales
    - › Cargo Sales
    - › Breakbulk Sales

- **HRCP II, LLC.**
  - **Arthur Ellermann, General Manager**
    - › Chassis Mgmt
    - › Maintenance


FINANCIAL SECTION

PBMares

# INDEPENDENT AUDITOR'S REPORT

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Kenneth R. Plum
Chairman, Joint Legislative Audit
and Review Commission

The Board of Commissioners
Virginia Port Authority

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Virginia Port Authority (the Authority), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of June 30, 2020, and the respective changes in financial position and cash flows, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 16 to the financial statements, the Authority restated beginning fiduciary net position in accordance with the implementation of GASB Statement No. 84.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis and the required supplementary information on pages 13-22 and 72-76, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2020 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia
September 29, 2020

# VIRGINIA PORT AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
## YEAR ENDED JUNE 30, 2020

## (Unaudited)

Our discussion and analysis of the Virginia Port Authority's ("VPA" or "the Authority") financial performance provides an overview of VPA's financial activities as of and for the Fiscal Year ended June 30, 2020 (FY2020), with selected comparative information for the Fiscal Year ended June 30, 2019 (FY2019). It should be read in conjunction with the Authority's accompanying financial statements and the notes to financial statements. Virginia International Terminals, LLC (VIT) is presented in the Authority's financial statements as a blended component unit to emphasize that it serves or benefits those outside of the Authority, but the unit is, in substance, part of the primary government's operations even though it is a separate legal entity. This discussion focuses on the blended presentation of VPA with VIT, and to the extent relevant, the results of VIT will include references accordingly.

### ABOUT THE AUTHORITY

The Virginia Port Authority was established in 1952 as a political subdivision of the Commonwealth of Virginia for the purpose of stimulating commerce within the Commonwealth, through the promotion of the shipment of goods and cargoes through the ports, improvement of the navigable tidal waters within the Commonwealth, and in general engaging in any activity within the scope of its mission which may be useful in developing, improving, or increasing commerce of the ports of the Commonwealth. The Authority owns and is responsible for the operations and security of three marine terminals: Norfolk International Terminals (NIT), Portsmouth Marine Terminal (PMT), and Newport News Marine Terminal (NNMT), and an inland intermodal facility, the Virginia Inland Port (VIP) located in Front Royal, Virginia. The Authority is also responsible for the operations and security of two leased marine terminals: Virginia International Gateway (VIG), located in Portsmouth, Virginia and Richmond Marine Terminal (RMT), located in Richmond, Virginia on the James River. These facilities primarily handle import and export containerized, break-bulk and ro-ro cargoes, but more recently have increased emphasis on project cargo. VIT operates each facility.

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

Recognizing its role in the sustainment of Virginia's economy and as a link in the national supply chain, the Authority in July 2020 simplified and focused its mission statement:

> The Port of Virginia delivers opportunity by driving business to, *and through*, the Commonwealth.

### FINANCIAL HIGHLIGHTS

- Net position for VPA at June 30, 2020 increased by $41.8 million compared to an increase of $89.4 million during FY2019. Net position at June 30, 2020 was $774.2 million.
- Operating income for VPA on a comparable basis decreased from $63.5 million to $19.6 million. While significantly lower than FY2019, VPA has reflected an operating profit each year after FY2014.
- Volume of 1.5 million containers moved through the terminal properties during FY2020, which was 113 thousand containers (6.9%) lower than FY2019.
- Liquidity remained strong, with net working capital of $287.2 million and a current ratio (current assets divided by current liabilities) of 4.8, incremental improvement over 4.1 at June 30, 2019. Unrestricted cash and investments at June 30, 2020 were $188.8 million.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

As stated above, the Authority operates as a single enterprise fund with one blended component unit, VIT. The financial statements are prepared on the accrual basis of accounting, therefore, revenues are recognized when earned and expenses are recognized when incurred. Capital assets are capitalized and depreciated over the useful lives of the respective assets (except for land and construction in process, which are not depreciated). Please refer to Note 1 in the accompanying notes to financial statements for a summary of the Authority's significant accounting policies. Following this MD&A are the basic financial statements, notes to financial statements and required supplementary information of the Authority, along with its blended component unit - VIT. These statements, notes and statistical information, along with the MD&A, are designed to provide readers with a more complete understanding of the Authority's finances as a governmental unit and on a consolidated basis.

The financial section of this annual report consists of four parts: MD&A, the basic financial statements, the notes to financial statements, and required supplementary information. The report includes the following three basic financial statements: the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. Two additional statements are now included as required by GASB Statement No. 84 – *Fiduciary Activities*, which the Authority adopted for FY2020: Statement of Fiduciary Net Position, and Statement of Changes in Fiduciary Net Position. The relevance of these two additional statements is to provide additional information about postemployment benefit arrangements that are fiduciary activities of the Authority or its component unit – VIT as of the reporting date.

Please note that certain prior year items may be reclassified to conform to the current year presentation.

### Statement of Net Position

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

A condensed summary of the Authority's assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position at June 30, 2020 and 2019, respectively, follows:

**Net Position**
**(USD millions)**

| | 2020 | 2019 | Increase/ (Decrease) |
|---|---|---|---|
| Assets: | | | |
| Current assets | $ 362.3 | $ 365.9 | $ (3.6) |
| Capital assets, net | 3,189.9 | 3,152.7 | 37.2 |
| Other long-term assets | 94.4 | 81.2 | 13.2 |
| **Total assets** | 3,646.6 | 3,599.8 | 46.8 |
| Deferred outflows of resources | 34.2 | 37.9 | (3.7) |
| **Total assets and deferred outflows of resources** | 3,680.8 | 3,637.7 | 43.1 |
| Liabilities: | | | |
| Current liabilities | 75.1 | 90.3 | (15.2) |
| Noncurrent liabilities | 2,826.4 | 2,810.8 | 15.6 |
| **Total liabilities** | 2,901.5 | 2,901.1 | 0.4 |
| Deferred inflows of resources | 5.1 | 4.2 | 0.9 |
| **Total liabilities and deferred inflows of resources** | 2,906.6 | 2,905.3 | 1.3 |
| Net position: | | | |
| Net investment in capital assets | 389.0 | 374.2 | 14.8 |
| Restricted | 138.3 | 132.4 | 5.9 |
| Unrestricted | 246.9 | 225.8 | 21.1 |
| **Total net position** | $ 774.2 | $ 732.4 | $ 41.8 |

ASSETS

Current Assets remained substantially flat from year to year. Accounts receivable declined by $20.0 million as a result of lower volumes, but also due to strong collections experience. The cash generated by receivables liquidation, along with the free cash from operations, was used to liquidate trade payables and build liquidity in current investments and restricted cash and cash equivalents. As a result, current unrestricted cash and cash equivalents declined by $14.1 million, and current investments and restricted cash and cash equivalents increased by $33.6 million.

Capital assets (the cost of capital assets less accumulated depreciation and amortization) increased $37.2 million from FY2019. During FY2020, $249.5 million of capital assets were placed into service. Approximately $220.4 million of these additions were in process at June 30, 2019. As of June 30, 2020, 27 of 30 stacks at NIT had been turned-over to operations for varying degrees of production. The majority of this asset development is being funded by a multi-year capital contribution from the Commonwealth of Virginia as part of the program that began in 2016 to modernize capability and expand terminal capacity from approximately 1.5 million containers to approximately 2.5 million, or nearly 67%. The terminal expansion at VIG was officially completed in November 2019, and the final stacks at NIT were available for operations in August 2020. The higher capital asset balances resulting from investment activity were reduced by $103.8 million of depreciation and amortization expense recorded during the year. More detail regarding capital asset activity during the year can be found further below in the MD&A and in Note 5 to financial statements.

The decrease to deferred outflows of resources was principally the result of amortizing deferred outflows from the refunding of VPA's Port Facilities Revenue Bonds issued in November 2016 (see Notes 6 and 7 to financial statements for additional discussion of bonds and other indebtedness). In addition to the reduction to bond-related deferred outflows, pension-related deferred outflows also declined by approximately $1.5 million as a result of the net amortization for the VPA and VIT plans. See Note 9 to financial statements for additional discussion of pensions.

LIABILITIES

Current liabilities decreased by $15.2 million, principally due to the liquidation of trade payables, and reduction to overall costs associated with lower spending rates and substantial completion of the terminal expansion projects.

Noncurrent liabilities at June 30, 2020 consist principally of $2.3 billion in a capital lease obligation associated with the lease of the VIG facility, and $484.9 million in outstanding revenue bonds backed either by Commonwealth Port Fund Revenues or Port Facilities Revenues, along with the related issuance premiums. Additionally, the Authority is carrying $62.9 million in additional debt related to Master Equipment Lease Program arrangements (MELP). During FY2020, the Authority borrowed an additional $37.1 million pursuant to various MELP arrangements to finance the purchase of container handling equipment.

The Authority's debt service reduced noncurrent principal related to the Revenue Bonds and MELP by $18.4 million. The VIG capital lease obligation increased by $14.4 million as a result of negative principal amortization from interest expense exceeding scheduled lease payments until contractual lease payments escalate to a level where positive principal amortization will begin (currently estimated to occur in calendar year 2030). This was offset by an $11.8 million reduction to capitalized lease liability from certain installment sale asset expenditures being completed at a lower net cost than originally planned. See Note 6 to financial statements for further detail regarding the Authority's long-term indebtedness.

The net increase to noncurrent liabilities included the mostly offsetting activity related to the Authority's capital lease and long-term debt activity, however noncurrent liabilities also decreased as the result of the VIT net pension liability declining from $9.3 million to $2.7 million on favorable net investment income and a higher level of employer contributions.

NET POSITION

Net investment in capital assets represents the land, buildings, infrastructure, improvements, and equipment, etc., less the accumulated depreciation and amortization and outstanding liabilities related to those capital assets. This portion of net position increased by $14.8 million principally as the result of continuing investment in the expansion of NIT in terms of container handling equipment and infrastructure, and was mostly offset by depreciation of capital assets and amortization of the capital lease asset. These capital assets are the industrial base for the provision of services to major steamship lines and their agents for movement of maritime cargo. For liquidity purposes it should be noted the resources required to repay the debt incurred to purchase and develop the capital assets must be provided annually from terminal operations (principally those of the blended component unit – VIT) and appropriation (Commonwealth Port Fund), since the capital assets themselves generally are not monetized to liquidate liabilities. Further detail of the Authority's capital assets can be referenced in Note 5 to financial statements.

Net position - restricted represents resources, principally cash and investments, that are subject to external restrictions on how they can be used under bond resolutions and related covenants. The increase in balances at June 30, 2020 is attributable to higher accumulated debt service deposits ahead of scheduled debt service payments on July 1, 2020.

The remaining unrestricted net position may be used to fund the Authority's other ongoing obligations and initiatives. The favorable operating result, along with the growth in current investments associated with retained positive cash flow, contributed to the increased FY2020 balance.

## Statement of Revenues, Expenses, and Changes in Net Position

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the results of operations and can be used to determine whether the fiscal condition has improved or worsened during the year. A condensed summary of the Authority's revenues, expenses, and changes in net position for the fiscal years ended June 30, 2020 and 2019, follows:

**Revenues, Expenses, and Changes in Net Position**
**(USD Millions)**

| | 2020 | 2019 | Increase/ (Decrease) |
|---|---|---|---|
| Operating revenues | $ 512.9 | $ 567.6 | $ (54.7) |
| Operating expenses | 493.3 | 504.1 | (10.8) |
| **Operating income** | 19.6 | 63.5 | (43.9) |
| Non-operating expenses, net | (116.4) | (111.5) | (4.9) |
| **Loss before capital contributions** | (96.8) | (48.0) | (48.8) |
| Capital contributions: | | | |
| Commonwealth Port Fund allocation | 41.9 | 43.1 | (1.2) |
| Capital transactions with other government agencies | 96.7 | 94.3 | 2.4 |
| **Increase in net position** | $ 41.8 | $ 89.4 | $ (47.6) |

Approximately 97% of the Authority's operating revenues originate from terminal operating revenues earned by its blended component unit – VIT. Security surcharge fees levied by the Authority separate from the terminal operations of VIT, account for the majority of the remainder, meaning that substantially all of the operating revenues of the Authority originate from the operation of the terminal properties. The remainder of operating revenues are principally attributable to operating grants from state and federal governments.

FY2020 operating revenues decreased 9.6%, commensurate with the 6.9% decline in container volume. Container volume began its decline in the Fall of 2019 as a result of geopolitical trade tensions, but then accelerated in the Spring of 2020 when the impact of the COVID-19 pandemic manifested itself to its full extent. In addition to lower unit rate revenue resulting from lower volume, ancillary revenues have also declined as a result of a lower number of containers dwelling on the property and for shorter dwell times, in addition to reduced demand for chassis rentals. The adverse impact on revenue of shorter dwell times is not a negative phenomenon in and of itself, as it is also the product of increased terminal throughput efficiency from more deliberate truck and rail scheduling and loading practices, which provides value to port stakeholders and an incentive to grow overall volume with the port.

Operating expenses declined by a net of 2.1%. However, when predominately non-cash expenses (depreciation and amortization, provisions for inventory obsolescence, etc.) are excluded from the comparison, remaining operating expenses that are predominately cash in nature declined by 7.9%. This is an important distinction, as non-cash expenses are the product of previous expenditures, while predominately cash expenses have a direct impact on current liquidity. The 7.9% decline in predominately cash operating expense in the context of a 9.6% decline in operating revenues indicates a high degree of leverage to control operating expenses in a time of economic downturn. Cost savings tactics such as reduced gate hours, leverage of more cost-efficient capacity, etc. enable the Authority to preserve liquidity, a key component to sustainability. For example, terminal operations expense was able to be managed downward by 13.6%, while cash maintenance costs were held in check for a decline of 1.6%. These operating efficiencies were offset in part by a 5.2% increase to general and administrative expense resulting from costs to mitigate the effects of the COVID-19 pandemic as well as investments in cyber security, technology, and other capabilities.

Net non-operating revenues/expenses were $4.9 million unfavorable to FY2019. The two principal components of non-operating revenues/expenses, interest expense and interest/investment income were essentially neutral, with higher interest expense from incremental MELP borrowings offset by favorable investment return. Non-operating grant revenue was incrementally lower from decreased activity in the way of capital projects funded by these grants.

Capital contributions from the Commonwealth Port Fund (CPF) – allocations appropriated from the Transportation Trust Fund - are generally restricted in purpose to enhancement/major maintenance of the Authority's terminal facilities through direct reimbursement or service of debt supported by the CPF allocation. The decrease of $1.2 million from FY2019 is the result of timing regarding the collection of the supporting tax revenues and, while relatively stable in nature on a historical basis, is not controllable by the Authority. Proceeds from the primary government, most notably funding by the Commonwealth of Virginia to support the expansion of NIT and dredging of the harbor to 55 feet, increased by $16.4 million, offset by corresponding expenditures related to channel dredging.

**Statement of Cash Flows**

The Statement of Cash Flows provides information about changes in cash and cash equivalents during the reporting period. The statement reports this activity in the context of operating, financing, and investing activities, and provides insight as to the major sources and uses of cash applicable to the fiscal year. A condensed summary of the Statement of Cash Flows for FY2020 and FY2019, respectively, follows:

**Cash Flows**
**(USD Millions)**

| | 2020 | 2019 | Increase/ (Decrease) |
|---|---|---|---|
| Cash flows provided by operating activities | $ 132.9 | $ 136.1 | $ (3.2) |
| Cash flows used in non-capital financing activities | (17.4) | (3.2) | (14.2) |
| Cash flows used in capital and related financing activities | (96.3) | (131.8) | 35.5 |
| Cash flows used in investing activities | (31.2) | (87.2) | 56.0 |
| **Net decrease in cash and cash equivalents** | (12.0) | (86.1) | 74.1 |
| Cash and cash equivalents: | | | |
| Beginning of year | 220.3 | 306.4 | (86.1) |
| End of year | $ 208.3 | $ 220.3 | $ (12.0) |

Cash flow provided by operating activities declined by $3.2 million from FY2019, almost exclusively as a result of lower shipping volumes driven by the conditions experienced in the second half of the fiscal year as a result of the pandemic. The majority of the Authority's operating cash flow is generated through the operations of VIT. As mentioned above, lower container revenues were offset in large part by cost control and improved collection experience to yield cash flow sufficient to meet debt service obligations, sustain underway capital projects, and improve the Authority's investment position.

Cash used in non-capital financing activities increased year over year principally as a result of expenditures to facilitate the approval to increase the depth of the port's harbor channels to 55 feet.

Cash used in capital and related financing activities was $35.5 million lower than FY2019. Overall investment in capital assets remained steady at $153 million. However, during FY2020 the Authority financed certain capital investments in terminal operating equipment with $37.1 million in MELP financing. See the Statement of Cash Flows and Notes 5 and 6 to the financial statements for further detail.

In FY2020, the Authority used $56.0 million less in cash related to investing activities. Following the transition to its formal investment management policy in FY2019, the Authority was forced to be more judicious with its investment program. However, as a result of cost management and improved collection experience, the Authority was still able to purchase incremental investments during the fiscal year. See the Statement of Cash Flows and Note 2 to the financial statements for more information about the Authority's investment activity and investments.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The investment in capital assets for the Authority at June 30, 2020, carried at historical cost less accumulated depreciation and amortization, primarily includes land, buildings, wharves, roads, drainage and lighting systems, and equipment.

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

- VIG IT Investments - $3.7 million
- NIT Infrastructure - $146.0 million
- Shuttle Truck fleet upgrade at NIT - $23.2 million
- 2 Ship to Shore Cranes for NIT - $11.4 million
- RMG Refurbishments at VIG - $4.7 million
- NNMT Maintenance Dredging - $2.1 million
- 6 Empty Container Handlers - $2.0 million
- 16 Hustlers (Yard Tractors) - $1.8 million
- Implementation of new financial/billing systems - $3.6 million

Further discussion of capital asset activities can be found in Note 5 to the financial statements. Additional information related to the leased asset can be found in Note 5 and Note 6 to the financial statements.

### Debt and Installment Purchase Obligations

At June 30, 2020, the Authority had $2.8 billion in outstanding bond, installment purchase, and capital lease obligations, excluding deferred items. Of this amount, $2.3 billion is in the form of capitalized lease obligations related to the VIG lease, $484.9 million in revenue bonds issued by the Authority with $18 million of issuance premiums, and $65 million in MELP financing and notes payable outstanding. During FY2020, the Authority closed on an additional $37.1 million of MELP financing to support the purchase of additional container handling equipment at NIT, as discussed in more detail in Note 6 to the financial statements.

Pursuant to Resolution 16-9, Port Facilities Revenue Refunding Bond Series' 2016A, 2016B and 2016C were issued in November 2016 for a combined par value of $280.5 million to refund Series 2010, 2015A, 2015B and 2013 Port Facilities Revenue Refunding Bonds with a combined outstanding par value of $245.5 million, as well as refund $14.2 million in outstanding principal related to existing Master Equipment Lease financings. The 2016A, 2016B and 2016C Series are subordinate to the VIG lease (which is deemed a senior obligation in credit priority), are supported by terminal revenues and carry underlying ratings of A1 and A- from Moody's Investor Service, Inc. and Standard and Poor's Rating Services, respectively.

The Authority's bond covenants for Port Facilities Revenue Bonds require the net revenues available to pay debt service, as defined in Resolution 16-9, to cover 100% of current expenses. Also, the greater of aggregate net revenue and aggregate adjusted net revenue as defined in Resolution 16-9 will not be less than 110% and 125%, respectively, of the aggregate principal and interest requirements for the applicable bond year. Additionally, the sum of net revenue and capital expenditures will not be less than 100% of the sum of the aggregate principal and interest requirements for the applicable bond year. The debt service coverage tests based on the foregoing criteria were exceeded for FY2020. See the compliance section for further detail.

As security for the VIG lease and for outstanding Port Facilities Revenue Bonds, the Authority is required to apportion its monthly net revenue in order of priority to (1) satisfy minimum levels of operating cash, (2) set aside sufficient funds to pay the next monthly VIG lease payment, (3) set aside sufficient funds to satisfy the next monthly debt service deposit, (4) replenish any required debt service reserves which have been drawn upon – no such drawings have occurred or are outstanding – and (5) contribute to supplemental residual reserves to be used for any lawful purpose. We anticipate that cash flows for the upcoming operating cycle will be sufficient to meet these requirements. From time to time, the Authority will utilize a portion of its supplemental residual reserves to fund in part or in whole capital expenditures, and to buffer timing differences in monthly cash flow that can occur from seasonal trends or significant expenditures.

Commonwealth Port Fund Revenue bonds issued in 2012, 2015 and 2018 outstanding at June 30, 2020 are supported by the Authority's 4.2% allocation of the Commonwealth of Virginia's Transportation Trust Fund (TTF). The bonds are also backed by an appropriation from the Commonwealth and carry underlying ratings of AA+ from Fitch Ratings, Inc., an AA+ rating from Standard and Poor's, and an Aa1 rating from Moody's Investor Services.

In August 2020, the Authority issued Commonwealth Port Fund Revenue Refunding Bonds, Series 2020A and 2020B, for the purpose of refunding $4.8 million of Commonwealth Port Fund Revenue Refunding Bonds, Series 2012C, $58.7 million of Commonwealth Port Fund Revenue Bonds, Series 2015 (AMT), and $23.1 million of Commonwealth Port Fund Revenue Refunding Bonds, Series 2012B. The transaction is calculated to yield a net present value savings of $9.5 million, and provide alternative financing at a true interest cost of 1.95%. The Authority will continue to evaluate opportunities to optimize its borrowing cost and where considered appropriate engage in debt transactions to that end.

More details on long-term debt can be found in Notes 6, 7, and 17 to the financial statements.

## ECONOMIC AND OTHER FACTORS AND RECENT DEVELOPMENTS

Many of the Authority's capital projects, either directly, or indirectly through bond issues, are funded from the TTF. Through FY2020, the Authority received 4.2% of TTF collections, comprised of 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. The 2020 General Assembly of the Commonwealth approved various structural changes for the TTF. Effective July 1, 2020 the allocation will be 2.5% compared to 4.2%, but apportioned from a larger revenue pool. These structural changes are expected to increase the absolute monetary funding for the Authority, however, the ultimate extent of change has yet to be determined at this time.

The Authority leases the Richmond Marine Terminal (RMT) pursuant to a 40 year agreement that commenced on February 1, 2016, and concurrently also manages the operations of the James River Barge Line (JRBL) that transports containers between RMT and VIG, PMT and NIT. Since November 1, 2016, VIT has assumed operational responsibility for RMT. The Authority continues actively seeking grants to support funding of these ventures as well as other projects to increase security, or lessen the environmental impact of, related logistics activities. Volume carried on the JRBL has increased from 22,500 containers in fiscal year 2017 to 41,019 in FY2020.

Since 2016, the Authority has been engaged in efforts to expand and modernize NIT with funding from a $350 million grant program provided by the Commonwealth of Virginia. The investment is being used to reconfigure the South Terminal at NIT, including implementation of a rail-mounted gantry crane configuration which has increased cargo capacity by over 46%, increased throughput velocity and enhanced yard safety at the terminal. The project is in its final stages, and by August 31, 2020, all 30 of the semi-automated stacks had been turned-over to operations for varying degrees of utilization. Finalization of commissioning is expected to be complete by the Fall of 2020.

With little advance warning, the COVID-19 pandemic inflicted a material decline on worldwide shipping volumes. As reported above, the Authority experienced a 6.9% decline in container volume from FY2019, most of which was realized between March 2020 and June 2020. The port has, at significant cost, enacted protective programs to mitigate the impact of the pandemic on the ability to conduct terminal business. These measures have included, but are not limited to, extensive remote work where practical, administration of onsite temperature and other biometric screenings, regular wipe-downs and disinfection of buildings and high-traffic areas, and contact tracing/mandatory quarantine for colleagues with potential exposure to the virus. The Authority is seeking federal relief to offset the approximate $2.0 million that had been spent through June 30, 2020 on mitigation efforts, as well as continuing relief for ongoing mitigation efforts into FY2021. Until receipt of adequate assurance that these costs will be reimbursed, the Authority has not recognized a receivable for any federal relief associated with these costs. The Authority believes the controls enacted will enable it to operate safely and continuously for the duration of the pandemic.

FY 2021 is showing some signs of stability. Container movements in FY2021 through August 2020 were 258,590. While 11.6% lower than the corresponding period in FY2019, the production is 12.2% higher than the May-June 2020 volume. This uptick in volume is not considered definitive evidence of a permanent recovery, but is considered indicative of stabilization in the market. Based upon recent projections, the Authority is anticipating FY2021 volume of 1.6 million containers, which would reflect a marginal improvement over FY2020. September volume indications are consistent with the July-August 2020 trend. With the additional capacity now deployed, utilization is markedly lower and service levels have increased significantly in terms of the ability to process containers through the gate and rail portals (turn times), and in terms of crane production, which has provided the sustainable ability to control operating costs, as well as attract new volume to fill the additional capacity. During September 2020, the port hosted its largest container vessel call in its history, the 15,128 TEU capacity CMA CGM Brazil. Growth initiatives continue to support economic development within the Commonwealth of Virginia. However, like most intermodal concerns, the volume realized is largely dependent on global economic conditions, and the ultimate timing of volumes comparable to those experienced prior to the pandemic is uncertain.

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

## CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

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

## VIRGINIA PORT AUTHORITY & VIRGINIA INTERNATIONAL TERMINALS, LLC
## STATEMENT OF NET POSITION
***June 30, 2020***

| | Authority | Virginia International Terminals, LLC | Eliminations | Total Business-Type Activities |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | $ 72,163,537 | $ 34,141,428 | $ - | $ 106,304,965 |
| Investments, net | 72,558,370 | - | - | 72,558,370 |
| Restricted assets: | | | | |
| Cash and cash equivalents | 71,955,382 | - | - | 71,955,382 |
| Accounts receivable, net | 90,491 | 58,375,891 | (1,529,589) | 56,936,793 |
| Due from other governments | 28,077,403 | - | - | 28,077,403 |
| Due from component unit | 13,870,550 | - | (13,870,550) | - |
| Inventories, net | - | 23,952,661 | - | 23,952,661 |
| Prepaid expenses and other | 287,377 | 2,220,763 | - | 2,508,140 |
| **Total current assets** | 259,003,110 | 118,690,743 | (15,400,139) | 362,293,714 |
| Noncurrent assets: | | | | |
| Investments | 9,957,555 | - | - | 9,957,555 |
| Restricted assets: | | | | |
| Cash and cash equivalents | 30,066,491 | - | - | 30,066,491 |
| Investments | 46,359,252 | - | - | 46,359,252 |
| Other | 416,441 | 7,599,092 | - | 8,015,533 |
| Non-depreciable capital assets | 309,732,712 | 3,924,041 | - | 313,656,753 |
| Depreciable/amortizable capital assets, net | 2,840,835,428 | 35,418,083 | - | 2,876,253,511 |
| **Total noncurrent assets** | 3,237,367,879 | 46,941,216 | - | 3,284,309,095 |
| **Total assets** | 3,496,370,989 | 165,631,959 | (15,400,139) | 3,646,602,809 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | |
| OPEB | 139,000 | 29,262 | - | 168,262 |
| Bond refunding, net | 19,919,809 | - | - | 19,919,809 |
| Pensions | 4,352,255 | 9,787,010 | - | 14,139,265 |
| **Total deferred outflows of resources** | 24,411,064 | 9,816,272 | - | 34,227,336 |
| **Total assets and deferred outflows of resources** | $ 3,520,782,053 | $ 175,448,231 | $ (15,400,139) | $ 3,680,830,145 |

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

## VIRGINIA PORT AUTHORITY & VIRGINIA INTERNATIONAL TERMINALS, LLC
## STATEMENT OF NET POSITION
***June 30, 2020***

| | Authority | Virginia International Terminals, LLC | Eliminations | Total Business-Type Activities |
|---|---|---|---|---|
| **LIABILITIES** | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued expenses | $ 17,423,890 | $ 11,493,889 | $ (1,529,589) | $ 27,388,190 |
| Interest payable | 10,987,860 | - | - | 10,987,860 |
| Long-term debt, current portion | 21,651,918 | - | - | 21,651,918 |
| Compensated absences | 726,638 | 842,143 | - | 1,568,781 |
| Workers' compensation costs | - | 1,423,481 | - | 1,423,481 |
| Payroll liabilities | 2,402,572 | 5,575,499 | - | 7,978,071 |
| Obligations under securities lending | 4,101,192 | - | - | 4,101,192 |
| Due to Parent Member | - | 13,870,550 | (13,870,550) | - |
| **Total current liabilities** | 57,294,070 | 33,205,562 | (15,400,139) | 75,099,493 |
| Noncurrent liabilities: | | | | |
| Long-term debt | 546,449,552 | - | - | 546,449,552 |
| Capital lease obligations | 2,253,021,808 | - | - | 2,253,021,808 |
| Compensated absences, noncurrent portion | 469,213 | 556,949 | - | 1,026,162 |
| Workers' compensation costs | - | 1,587,817 | - | 1,587,817 |
| Pension and OPEB liabilities, net | 7,387,420 | 3,624,789 | - | 11,012,209 |
| Other noncurrent liabilities | 13,266,484 | - | - | 13,266,484 |
| **Total noncurrent liabilities** | 2,820,594,477 | 5,769,555 | - | 2,826,364,032 |
| **Total liabilities** | 2,877,888,547 | 38,975,117 | (15,400,139) | 2,901,463,525 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| OPEB | 89,000 | 358,784 | - | 447,784 |
| Bonds refunding, net | 137,433 | - | - | 137,433 |
| Pensions | 961,522 | 3,575,232 | - | 4,536,754 |
| **Total deferred inflows of resources** | 1,187,955 | 3,934,016 | - | 5,121,971 |
| **Total liabilities and deferred inflows of resources** | 2,879,076,502 | 42,909,133 | (15,400,139) | 2,906,585,496 |
| **NET POSITION** | | | | |
| Net investment in capital assets | 349,643,679 | 39,342,124 | - | 388,985,803 |
| Restricted for: | | | | |
| Debt service | 138,301,604 | - | - | 138,301,604 |
| Unrestricted | 153,760,268 | 93,196,974 | - | 246,957,242 |
| **Total net position** | 641,705,551 | 132,539,098 | - | 774,244,649 |
| **Total liabilities, deferred inflows of resources, and net position** | $ 3,520,782,053 | $ 175,448,231 | $ (15,400,139) | $ 3,680,830,145 |

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

## VIRGINIA PORT AUTHORITY & VIRGINIA INTERNATIONAL TERMINALS, LLC
## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
***For the Year Ended June 30, 2020***

| | Authority | Virginia International Terminals, LLC | Eliminations | Total Business-Type Activities |
|---|---|---|---|---|
| Operating revenues: | | | | |
| Terminal operating revenues | $ - | $ 496,258,411 | $ - | $ 496,258,411 |
| Other revenues | 10,946,317 | - | - | 10,946,317 |
| Other revenues - grants, federal and state | 5,704,423 | - | - | 5,704,423 |
| Operating revenues from component unit | 133,890,229 | - | (133,890,229) | - |
| **Total operating revenues** | 150,540,969 | 496,258,411 | (133,890,229) | 512,909,151 |
| Operating expenses: | | | | |
| Terminal operations | 4,553,752 | 212,654,100 | - | 217,207,852 |
| Terminal maintenance | 3,494,678 | 108,634,241 | - | 112,128,919 |
| General and administrative | 25,818,916 | 32,657,458 | - | 58,476,374 |
| Facility rental | 1,681,651 | - | - | 1,681,651 |
| Depreciation and amortization | 96,402,812 | 7,436,520 | - | 103,839,332 |
| Payments due to Authority | - | 133,890,229 | (133,890,229) | - |
| **Total operating expenses** | 131,951,809 | 495,272,548 | (133,890,229) | 493,334,128 |
| **Operating income** | 18,589,160 | 985,863 | - | 19,575,023 |
| Non-operating revenues (expenses): | | | | |
| Interest income | 5,829,248 | 347,974 | - | 6,177,222 |
| Interest expense | (125,263,781) | - | - | (125,263,781) |
| Issuance costs | (40,658) | - | - | (40,658) |
| Revenues from federal government | 3,152,063 | - | - | 3,152,063 |
| Revenues (primary government) | 2,725,029 | - | - | 2,725,029 |
| Other expenses | (3,376,631) | - | - | (3,376,631) |
| Gain on disposals | 225,163 | 45,954 | - | 271,117 |
| **Total non-operating revenues (expenses), net** | (116,749,567) | 393,928 | - | (116,355,639) |
| **Income (loss) before capital contributions and transfers** | (98,160,407) | 1,379,791 | - | (96,780,616) |
| Capital contributions and transfers: | | | | |
| Commonwealth Port Fund allocation | 41,922,273 | - | - | 41,922,273 |
| Payment to federal government - channel dredging | (17,402,176) | - | - | (17,402,176) |
| Capital contributions (to) from component unit | 283,513 | (283,513) | - | - |
| Proceeds from primary government | 114,048,969 | - | - | 114,048,969 |
| **Increase in net position** | 40,692,172 | 1,096,278 | - | 41,788,450 |
| Net position, beginning of year | 601,013,379 | 131,442,820 | - | 732,456,199 |
| Net position, end of year | $ 641,705,551 | $ 132,539,098 | $ - | $ 774,244,649 |

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

**VIRGINIA PORT AUTHORITY & VIRGINIA INTERNATIONAL TERMINALS, LLC**
**STATEMENT OF CASH FLOWS**
***For the Year Ended June 30, 2020***

| | Authority | Virginia International Terminals, LLC | Eliminations | Total Business-Type Activities |
|---|---|---|---|---|
| Cash flows from operating activities: | | | | |
| Receipts from customers and users | $ 126,290,605 | $ 514,960,189 | $ (129,117,296) | $ 512,133,498 |
| Receipts from operating grants | 4,773,334 | - | - | 4,773,334 |
| Reimbursement from (to) component unit | 19,653,914 | (19,653,914) | - | - |
| Other receipts | 10,946,317 | - | - | 10,946,317 |
| Payments for operating expenses | (19,356,806) | (227,382,794) | - | (246,739,600) |
| Payments to employees | (29,270,210) | (118,903,819) | - | (148,174,029) |
| **Net cash provided by operating activities** | 113,037,154 | 149,019,662 | (129,117,296) | 132,939,520 |
| Cash flows from noncapital financing activities: | | | | |
| Transfer to primary government | - | (129,117,296) | 129,117,296 | - |
| Channel dredging | (17,402,176) | - | - | (17,402,176) |
| **Net cash used in noncapital financing activities** | (17,402,176) | (129,117,296) | 129,117,296 | (17,402,176) |
| Cash flows from capital and related financing activities: | | | | |
| CPF contribution | 43,970,285 | - | - | 43,970,285 |
| Acquisition of capital assets | (156,147,688) | (9,583,310) | - | (165,730,998) |
| Transfer from primary government | 106,940,718 | - | - | 106,940,718 |
| Facility capital lease payments | (88,858,979) | - | - | (88,858,979) |
| Proceeds from MELP financing | 37,062,577 | - | - | 37,062,577 |
| Principal paid on long-term debt | (18,446,904) | - | - | (18,446,904) |
| Interest paid on long-term debt | (22,629,854) | - | - | (22,629,854) |
| Issuance costs | (40,658) | - | - | (40,658) |
| Proceeds from other state or federal agencies | 11,168,868 | - | - | 11,168,868 |
| Proceeds from sale of capital assets | 225,160 | 48,650 | - | 273,810 |
| **Net cash used in capital and related financing activities** | (86,756,475) | (9,534,660) | - | (96,291,135) |
| Cash flows from investing activities: | | | | |
| Proceeds from sales and maturities | 125,589,610 | - | - | 125,589,610 |
| Purchases of investments | (162,405,735) | - | - | (162,405,735) |
| Interest received and other | 5,261,599 | 347,977 | - | 5,609,576 |
| **Net cash provided by (used in) investing activities** | (31,554,526) | 347,977 | - | (31,206,549) |
| **Net increase (decrease) in cash and cash equivalents** | (22,676,023) | 10,715,683 | - | (11,960,340) |
| Cash and cash equivalents, beginning of year | 196,861,433 | 23,425,745 | - | 220,287,178 |
| Cash and cash equivalents, end of year | $ 174,185,410 | $ 34,141,428 | $ - | $ 208,326,838 |

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

## VIRGINIA PORT AUTHORITY & VIRGINIA INTERNATIONAL TERMINALS, LLC
## STATEMENT OF CASH FLOWS (CONTINUED)
***For the Year Ended June 30, 2020***

| | Authority | Virginia International Terminals, LLC | Eliminations | Total Business-Type Activities |
|---|---|---|---|---|
| Reconciliation of operating income to net cash provided by operating activities: | | | | |
| Operating income | $ 18,589,160 | $ 985,863 | $ - | $ 19,575,023 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | |
| Payments to Authority | - | 133,890,229 | (133,890,229) | - |
| Depreciation and amortization | 96,402,812 | 7,436,520 | - | 103,839,332 |
| Other expense | (3,376,631) | - | - | (3,376,631) |
| Pension and OPEB expense (benefit) | 2,103,966 | (3,891,209) | - | (1,787,243) |
| Change in assets and liabilities: | | | | |
| Decrease (increase) in accounts receivable | (1,030,272) | 18,701,778 | - | 17,671,506 |
| Decrease in inventories | - | 3,252,781 | - | 3,252,781 |
| Increase in due from VIT | (4,157,305) | - | 4,157,305 | - |
| Increase in prepaid expenses | (83,469) | (1,682,628) | - | (1,766,097) |
| Increase (decrease) in accounts payable and accrued expenses | 4,302,804 | (9,611,754) | - | (5,308,950) |
| Decrease in due to VPA | - | (615,628) | 615,628 | - |
| Increase in other accrued expenses | 873,547 | - | - | 873,547 |
| Deferred outflows of resources - defined benefit plan | (587,458) | 553,710 | - | (33,748) |
| **Net cash provided by operating activities** | $ 113,037,154 | $ 149,019,662 | $ (129,117,296) | $ 132,939,520 |
| Supplemental schedule of non-cash capital and related financing activities: | | | | |
| Capital asset additions purchased on account | $ 5,442,715 | $ - | $ - | $ 5,442,715 |
| Capital transfers from (to) component unit | 283,513 | (283,513) | - | - |
| Reduction of VIG ISC Phase II assets and corresponding VIG Lease liability | 11,800,632 | - | - | 11,800,632 |

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

**VIRGINIA PORT AUTHORITY & VIRGINIA INTERNATIONAL TERMINALS, LLC**
**STATEMENT OF FIDUCIARY NET POSITION**
***June 30, 2020***

| | Authority | Virginia International Terminals, LLC | | | |
|---|---|---|---|---|---|
| | Defined Benefit Pension Plan Trust Fund | Defined Benefit Pension Plan Trust Fund | Supplemental Executive Benefit Plan | Executive Supplemental Retirement Plan | Total |
| **ASSETS** | | | | | |
| Current Assets | | | | | |
| Cash and cash equivalents | $ - | $ - | $ 19,825 | $ 2,108,160 | $ 2,127,985 |
| Receivable from employer | - | 533,500 | - | - | 533,500 |
| **Total current assets** | - | 533,500 | 19,825 | 2,108,160 | 2,661,485 |
| Noncurrent Assets | | | | | |
| Investments held in trust at fair value | | | | | |
| Long-term bond | - | 1,083,463 | - | - | 1,083,463 |
| Taxable bond | - | 15,780,119 | - | - | 15,780,119 |
| Core plus bond | 5,529,653 | - | - | - | 5,529,653 |
| Common and preferred stock | 4,009,131 | 20,527,167 | - | - | 24,536,298 |
| Mutual funds | 11,173,127 | 66,340,808 | - | - | 77,513,935 |
| **Total noncurrent assets** | 20,711,911 | 103,731,557 | - | - | 124,443,468 |
| **Total assets** | 20,711,911 | 104,265,057 | 19,825 | 2,108,160 | 127,104,953 |
| **LIABILITIES** | | | | | |
| Accounts Payable | 13,513 | - | - | - | 13,513 |
| **Total liabilities** | 13,513 | - | - | - | 13,513 |
| **NET POSITION** | | | | | |
| Restricted for: | | | | | |
| Pension benefits | 20,698,398 | 104,265,057 | 19,825 | 2,108,160 | 127,091,440 |
| **Total net position** | $ 20,698,398 | $ 104,265,057 | $ 19,825 | $ 2,108,160 | $ 127,091,440 |

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

# VIRGINIA PORT AUTHORITY & VIRGINIA INTERNATIONAL TERMINALS, LLC
# STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
***For the Year Ended June 30, 2020***

| | Authority | Virginia International Terminals, LLC | | | |
|---|---|---|---|---|---|
| | Defined Benefit Pension Plan Trust Fund | Defined Benefit Pension Plan Trust Fund | Supplemental Executive Benefit Plan | Executive Supplemental Retirement Plan | Total |
| Additions: | | | | | |
| Employer contributions | $ 1,515,194 | $ 6,165,366 | $ - | $ - | $ 7,680,560 |
| Investment income (loss) | 1,298,795 | 7,073,580 | (5,724) | (73,316) | 8,293,335 |
| **Total additions** | 2,813,989 | 13,238,946 | (5,724) | (73,316) | 15,973,895 |
| Deductions: | | | | | |
| Benefit payments | 941,562 | 4,814,735 | 26,844 | - | 5,783,141 |
| Administrative expenses | 33,095 | 550,239 | - | - | 583,334 |
| **Total deductions** | 974,657 | 5,364,974 | 26,844 | - | 6,366,475 |
| **Change in net position** | 1,839,332 | 7,873,972 | (32,568) | (73,316) | 9,607,420 |
| Net Position, beginning of year, as restated | 18,859,066 | 96,391,085 | 52,393 | 2,181,476 | 117,484,020 |
| Net Position, end of year | $ 20,698,398 | $ 104,265,057 | $ 19,825 | $ 2,108,160 | $ 127,091,440 |

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

## Note 1. Summary of Significant Accounting Policies

### A. Reporting Entity

The Virginia Port Authority ("the Authority" or "VPA") was established in 1952, as a political subdivision of the Commonwealth of Virginia (the Commonwealth), for the purpose of performing any act or function which may be useful in developing, improving, or increasing the commerce of the ports of the Commonwealth. A Board of Commissioners composed of 13 members oversees the Authority. The Board consists of the State Treasurer, the Chief Executive Officer of the Virginia Economic Development Partnership, and 11 members appointed by the Governor, subject to confirmation by the General Assembly, who shall serve at the discretion of the Governor. The Authority's major activities are developing water transportation facilities; providing security services; maintaining ports, facilities, and services; providing public relations and domestic and international advertising; and developing Virginia's ports through cargo solicitation and promotion throughout the world.

Virginia International Terminals, Inc. was incorporated as a non-stock, nonprofit corporation on June 30, 1981, for the purpose of operating marine terminals controlled by the Authority through ownership, lease or other means. Effective August 17, 2013, Virginia International Terminals, Inc. converted from a nonprofit, non-stock corporation to a single-member limited liability company with VPA as the sole member. As a result, the Authority has determined that Virginia International Terminals, LLC (VIT) should be included in the Authority's financial statements as a blended component unit. A blended component unit is, in substance, part of the primary government's operations, even though it is a legally separate entity. As a blended component unit, VIT serves or benefits those outside the Authority, but the Authority, as the primary institution, is financially accountable for or closely related to VIT.

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

The Authority also reports fiduciary activities (trust funds) in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. Fiduciary activities for the VIT Defined Benefit Pension Plan Trust Fund are based on audited financial statements for the year ended June 30, 2019. The Defined Benefit Pension Plan Trust Fund of the Authority, and the VIT Supplemental Executive Benefit Plan and Executive Supplemental Retirement Plan do not issue separate audited financial statements. Fiduciary funds are excluded from the Authority's basic financial statements and cannot be used to support the Authority's own programs. The Authority is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

### B. Basis of Accounting

The activities of the Authority are accounted for as an enterprise fund. The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

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

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Use of Estimates**

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

**D. Cash and Cash Equivalents**

The Authority considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Authority invests available cash balances in conformity with the guidelines of the Commonwealth of Virginia.

**E. Investments**

All investments of the Authority are reported at fair value.

**F. Accounts Receivable**

Accounts receivable principally represent amounts billed to customers for services. Management believes these amounts are fully collectible and no allowance has been recorded as of June 30, 2020 for the Authority. VIT utilizes the allowance method for doubtful accounts. Accounts receivable are shown net of the allowance for doubtful accounts of approximately $3.3 million as of June 30, 2020 for VIT. The allowance for doubtful accounts is an amount management believes will be adequate to absorb losses on existing accounts receivable that are likely to be uncollectible.

**G. Inventories**

The Authority purchases supplies on an as needed basis. Inventories of VIT consist of supplies and equipment parts and are reported using the average cost method. An inventory allowance has been established for parts identified as obsolete or to be disposed of within the next 12 months. The VIT allowance for inventory totaled approximately $5.2 million at June 30, 2020.

**H. Defined Benefit Pension Plan Trust Investments**

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Investment Committee of the Authority determines the valuation policies of the Authority and VIT's defined benefit plans utilizing information provided by the investment advisors, trustee, and insurance company.

**I. Capital Assets**

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

**Note 1. Summary of Significant Accounting Policies (Continued)**

**I. Capital Assets (Continued)**

Depreciation and amortization on capital assets is computed using the straight-line method over the estimated useful lives of the assets as follows:

| | |
|---|---|
| Buildings | 3 - 41 years |
| Improvements other than buildings | 5 - 50 years |
| Infrastructure | 4 - 41 years |
| Equipment | 3 - 28 years |
| Capital lease assets | Life of the lease |

The cost for maintenance and repairs is charged to expense as incurred. When items are retired or otherwise disposed of, the related costs and accumulated depreciation/amortization are removed from the accounts and any resulting gain or loss on such disposition is reflected in non-operating revenues or expenses.

Interest cost associated with the construction of the Authority's capital assets are capitalized and reflected as part of the cost of the asset. Interest cost incurred is charged to the assets under construction. Projects funded entirely by a specific borrowing receive the effective interest rate on that borrowing. Projects funded by multiple borrowings receive interest based on the weighted average interest rate of all Authority borrowings. No interest is capitalized on the portion of projects funded by grants. Interest capitalized for the fiscal year ended June 30, 2020 was approximately $907 thousand.

A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. If determined to be permanently impaired, capital assets are reported at the lower of carrying or fair value. Any insurance recoveries associated with events leading to an asset impairment are netted against impairment losses. The Authority did not maintain any impaired assets as of June 30, 2020.

**J. Long-Term Obligations**

Long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount with allowable refunding gains or losses recorded as deferred inflows or outflows of resources. Bond issuance costs are expensed as incurred with the exception of bond insurance costs which are reported as deferred outflows of resources and amortized over the term of the related debt.

**K. Compensated Absences**

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

**Note 1. Summary of Significant Accounting Policies (Continued)**

**K. Compensated Absences (Continued)**

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

VIT has an identical compensated absences policy. See Note 6 for further discussion.

**L. Budgets and Budgetary Accounting**

The Appropriations Act as enacted by the General Assembly of Virginia established the Authority's budget for the year ended June 30, 2020. No payments can be made out of the state treasury except in pursuance of appropriations made by law.

**M. Restricted Assets**

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

**N. Net Position**

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

**O. Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until consumption. At June 30, 2020, the Authority had approximately $24.4 million of deferred outflows of resources; $4.3 million were pension-related, $139 thousand were related to other postemployment benefits (OPEB), and $19.9 million were bond-related.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that period. At June 30, 2020, the Authority had approximately $1.2 million of deferred inflows of resources; $962 thousand were pension-related, $89 thousand were OPEB-related, and $137 thousand were bond-related.

**Deferred Outflows/Inflows of Resources - Blended Component Unit - VIT**

At June 30, 2020, VIT had approximately $9.8 million of deferred outflows of resources, all but $29 thousand being pension-related, and $3.9 million of deferred inflows of resources, all but $359 thousand being pension-related.

**Note 1. Summary of Significant Accounting Policies (Continued)**

**P. Pensions**

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

**Q. Pension Liability**

The Authority's stand-alone net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019 using updated actuarial assumptions, applied to all periods included in the measurement.

**R. Basis of Presentation**

Operating revenues and expenses generally result from providing services in connection with ongoing operations. The principal revenue for the Authority is funds collected from VIT in accordance with a payment agreement. The Authority also recognizes other operating revenue in the form of rents, license agreements, and charges for services (for example, security surcharges). Operating expenses include the cost of services, administrative expenses, rent applicable to operating leases and depreciation and amortization of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Certain expenses for the year ended June 30, 2019 have been reclassified, with no effect on the change in net position, to be consistent with the classifications adopted for the year ended June 30, 2020.

**S. Investment Income**

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

**T. Subsequent Events**

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through September 29, 2020, the date the financial statements were available to be issued.

**U. Recently Issued Accounting Pronouncements**

At June 30, 2020, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the Authority. The statements which might impact the Authority are as follows:

GASB Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Statement 87 will be effective for the port beginning with its year ending June 30, 2022.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. Statement 89 will be effective for the port beginning with its year ending June 30, 2022.

## Note 1. Summary of Significant Accounting Policies (Continued)

### U. Recently Issued Accounting Pronouncements (Continued)

GASB Statement No. 91, *Conduit Debt Obligations*, will provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Statement No. 91 will be effective for the port beginning with its year ending June 30, 2023.

GASB Statement No. 92, *Omnibus 2020*, provides guidance to enhance comparability in accounting and financial reporting for leases, pension plans, postemployment benefit arrangements, and a wide range of other accounting and financial reporting issues that have been identified during the implementation and application of certain GASB statements. The requirements related to GASB Statement No. 87, *Leases*, and its associated Implementation Guide are effective upon issuance. The requirements related to GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and GASB Statement No. 84, *Fiduciary Activities*, and the measurement of liabilities (and assets, if any) associated with asset retirement obligations in a government acquisition will be effective for the port beginning with its year ending June 30, 2022.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, addresses the accounting and financial reporting implications resulting from global reference rate reform, specifically, the extinction of the London Interbank Offered Rate (LIBOR). This Statement would remove LIBOR as an appropriate benchmark interest rate for qualitative evaluation of the effectiveness of an interest rate swap. Statement 93 will be effective for the port beginning with its year ending June 30, 2022.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, requires that public-private and public-public partnership arrangements (PPPs) that meet the definition of a lease apply the guidance in Statement No. 87, Leases, as amended, if it meets certain criteria. Statement 94 will be effective for the port beginning with its year ending June 30, 2023.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, requires the port to recognize a right-to-use subscription asset and corresponding subscription liability for certain subscription-based information technology arrangements (SBITAs). The port should recognize amortization of the discount on the subscription asset as an outflow of resources over the subscription term. The port will be required to disclose essential information related to the SBITA. Statement 96 will be effective for the port beginning with its year ending June 30, 2023.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84*, and a supersession of GASB Statement No. 32, requires that a Section 457 plan be classified as either a pension plan or another employee benefit plan depending on whether the plan meets the definition of a pension plan. The Statement also requires that investments of all Section 457 plans should be measured as of the end of the plan's reporting period in all circumstances. Statement 97 will be effective for the port beginning with its year ending June 30, 2022.

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

**Note 2. Cash, Cash Equivalents and Investments**

As of June 30, 2020, 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 $53,481,278 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* (the Act), or covered by the Federal Deposit Insurance Corporation (FDIC). Under the Act, banks and savings institutions holding public deposits in excess of the FDIC insured amounts must pledge collateral to the Commonwealth of Virginia Treasury Board. At June 30, 2020, all Authority deposits were considered adequately collateralized and were not exposed to custodial credit risk.

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

The Authority is required to segregate liquid assets (cash and investments) that are restricted for various purposes. As of June 30, 2020, these assets aggregated $148,381,125 with $71,955,382 classified as current and $76,425,743 classified as noncurrent based on the purpose for which the assets are restricted.

Current restricted assets consist of:

- $26,224,013 in cash and investments related to bond debt service payments to be made July 1, 2020.
- $7,507,690 in cash related to a capital lease payment to be made July 1, 2020.
- $26,269,408 in cash designated for purposes consistent with appropriations made by the Commonwealth of Virginia,
- $11,944,019 in cash designated for equipment purchases under installment agreements; and
- $10,252 in cash for miscellaneous purposes.

Noncurrent restricted assets consist of:

- $48,976,424 in cash and investments reserved to secure debt service in future years as required by the Authority's bond covenants,
- $27,449,319 in cash and investments for miscellaneous purposes.

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

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

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

**Note 2. Cash, Cash Equivalents and Investments (Continued)**

**Cash and Cash Equivalents**

As of June 30, 2020, the following shows the segmented time distribution of the Authority's cash and cash equivalents and its fair value measurement:

| | Fair Value | Maturities (in Years) Less than 1 |
|---|---|---|
| Cash | $144,856,430 | N/A |
| Mutual and Money Market Funds | 14,924,221 | $14,924,221 |
| U.S. Treasuries | 14,404,759 | 14,404,759 |
| **Total** | $ 174,185,410 | $ 29,328,980 |

| | Fair Value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Cash | $ 144,856,430 | N/A | $ - | $ - |
| Mutual and Money Market Funds | 14,924,221 | N/A | - | - |
| U.S. Treasuries | 14,404,759 | $ 14,404,759 | - | - |
| **Total** | $ 174,185,410 | $ 14,404,759 | $ - | $ - |

**Investments**

As of June 30, 2020, the following shows the segmented time distribution of the Authority's investments and its fair value measurement:

| | | Investment Maturities (in Years) | |
|---|---|---|---|
| | Fair Value | Less than 1 | 1-5 Years |
| Negotiable Certificates of Deposit | $ 17,424,420 | $ 17,424,420 | $ - |
| Commercial Paper | 7,792,910 | 7,792,910 | - |
| Corporate Bonds and Notes | 20,433,396 | 14,941,529 | 5,491,867 |
| Supranational Bonds and Notes | 804,068 | 804,068 | - |
| U.S. Treasuries | 48,812,345 | 42,573,675 | 6,238,670 |
| Asset Backed Securities | 9,760,218 | 83,900 | 9,676,318 |
| Agency Mortgage Backed Securities | 23,847,820 | 11,461,137 | 12,386,683 |
| **Total** | $ 128,875,177 | $ 95,081,639 | $ 33,793,538 |

| | Fair Value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Negotiable Certificates of Deposit | $ 17,424,420 | $ 17,424,420 | $ - | $ - |
| Commercial Paper | 7,792,910 | 7,792,910 | - | - |
| Corporate Bonds and Notes | 20,433,396 | 20,433,396 | - | - |
| Supranational Bonds and Notes | 804,068 | 804,068 | - | - |
| U.S. Treasuries | 48,812,345 | 48,812,345 | - | - |
| Asset Backed Securities | 9,760,218 | 9,760,218 | - | - |
| Agency Mortgage Backed Securities | 23,847,820 | 23,847,820 | - | - |
| **Total** | $ 128,875,177 | $ 128,875,177 | $ - | $ - |

**Note 2. Cash, Cash Equivalents and Investments (Continued)**

**Investments (Continued)**

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for fiduciary assets measured at fair value. There have been no changes in the methodology used at June 30, 2019. The Defined Benefit Pension Plan investment balances are as of June 30, 2019, the measurement date.

***Separate investment accounts:*** Valued at unit value based on the observable net asset value (NAV) of the underlying investment at year-end.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Authority believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table set forth by level, within the fair value hierarchy, summarizes the Authority's fiduciary assets for the Defined Benefit Pension Plan Trust at fair value as of the measurement date of June 30, 2019:

Assets Measured at Fair Value on a Recurring Basis at June 30, 2019

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Separate investment accounts | $ - | $ 20,711,911 | $ - | $ 20,711,911 |
| **Total assets in the fair value hierarchy** | $ - | $ 20,711,911 | $ - | $ 20,711,911 |

The Authority's defined benefit plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits.

The Authority's defined benefit plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumption process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

**Note 2. Cash, Cash Equivalents and Investments (Continued)**

**Investments (Continued)**

Blended Component Unit – VIT

The following table set forth by level, within the fair value hierarchy, summarizes VIT's fiduciary assets for the Defined Benefit Pension Plan Trust at fair value as of the measurement date of June 30, 2019:

| Assets Measured at Fair Value on a Recurring Basis at June 30, 2019 | | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Separate investment accounts | $ - | $ 103,731,557 | $ - | $ 103,731,557 |
| **Total assets in the fair value hierarchy** | $ - | $ 103,731,557 | $ - | $ 103,731,557 |

VIT's defined benefit plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits.

VIT's defined benefit plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumption process, it is at least reasonably possible that changes in these estimates and assumptions in the near term could be material to the financial statements.

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

***Custodial credit risk (deposits):*** This is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's investment policy requires all deposits to be insured under FDIC or comply with the Act. At year end, none of the Authority's deposits were exposed to custodial credit risk.

***Deposits:*** Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) or collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act"), Section 2.2-4400 et., seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. All deposits are considered adequately collateralized.

***Custodial credit risk (deposits):*** This is the risk that in the event of a bank failure, VIT's deposits may not be returned to it. VIT's investment policy requires all deposits to be insured under FDIC or comply with the Act. At year end, none of VIT's deposits were exposed to custodial credit risk.

## Note 3. Concentration of Risk

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

***Credit risk:*** The Authority follows the Commonwealth of Virginia's credit quality limitations and places emphasis on securities of high credit quality and marketability. Policy details can be found in the General Account Investment Guidelines document at http://www.trs.virginia.gov/Cash-Management-Investments.

***Concentration of credit risk:*** The Authority places no limit on the amount it may invest in any one issuer, as long as it is a permitted investment in accordance with State Treasury guidelines.

The Authority's rated investments (not held by the Treasurer) as of June 30, 2020 were rated by Standard & Poor's and the ratings are presented below:

| | Authority's Rated Debt Investments' Values | | | | | | |
|---|---|---|---|---|---|---|---|
| | Agency Ratings | | | | | | |
| | A-1 | AA | A | BBB | AAA | Not Rated | Total |
| Negotiable Certificates of Deposit | $ 17,424,420 | $ - | $ - | $ - | $ - | $ - | $ 17,424,420 |
| Commercial Paper | 7,792,910 | - | - | - | - | - | 7,792,910 |
| Corporate Bonds and Notes | - | 2,515,968 | 13,746,399 | 4,171,029 | - | - | 20,433,396 |
| Supranational Bonds and Notes | - | - | - | - | 804,068 | - | 804,068 |
| U.S. Treasuries | - | 48,812,345 | - | - | - | - | 48,812,345 |
| Asset Backed Securities | - | - | - | - | 8,109,980 | 1,650,238 | 9,760,218 |
| Agency Mortgage Backed Securities | 5,248,763 | 18,599,057 | - | - | - | - | 23,847,820 |
| **Total** | $ 30,466,093 | $ 69,927,370 | $ 13,746,399 | $ 4,171,029 | $ 8,914,048 | $ 1,650,238 | $ 128,875,177 |

Blended Component Unit – VIT

***Concentration of risk:*** Financial instruments that potentially subject VIT to credit risk consist of accounts receivable. VIT provides labor-intensive services to major shipping-lines that import and export products through the marine terminals that it operates. VIT can hold cargo shipped through the terminals as collateral for these receivables, in addition to other remedies for non-payment. Since VIT controls the movement of cargo through the terminals, it has ready access to the collateral.

For the year ended June 30, 2020, approximately 64% of total revenue was derived from five customers. Receivables outstanding at June 30, 2020 for this concentration totaled $33,822,548.

A significant portion of VIT's labor is provided by contract with the International Longshoremen's Association. The current contract expires September 30, 2024.

## Note 4. Due From Other Governments

Amounts due from other governments as of June 30, 2020 include:

| | |
|---|---|
| U.S. Department of Transportation | $ 242,578 |
| Virginia Department of Transportation | 2,456,265 |
| Virginia Department of Rail and Public Transportation | 166,084 |
| Virginia Department of Emergency Management | 145,433 |
| Virginia Public Building Authority | 19,883,404 |
| U.S. Department of Homeland Security | 173,514 |
| Transportation Trust Fund | 5,010,125 |
| | $ 28,077,403 |

## Note 5. Capital Assets

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

| | Balance July 1, 2019 | Additions | Deletions | Transfers | Balance June 30, 2020 |
|---|---|---|---|---|---|
| Capital assets not being depreciated or amortized: | | | | | |
| Land and improvements | $ 103,936,097 | $ - | $ - | $ - | $ 103,936,097 |
| Construction in progress (CIP) | 311,683,859 | 143,575,797 | - | (249,463,041) | 205,796,615 |
| | 415,619,956 | 143,575,797 | - | (249,463,041) | 309,732,712 |
| Depreciable capital assets: | | | | | |
| Infrastructure | 807,786,647 | - | - | 133,948,336 | 941,734,983 |
| Buildings | 99,475,843 | - | - | 3,252,440 | 102,728,283 |
| Improvements other than buildings | 27,987,585 | - | - | - | 27,987,585 |
| Equipment | 448,463,600 | - | (50,611) | 148,040,941 | 596,453,930 |
| Capital lease assets not otherwise mentioned above:* | | | | | |
| VIG Phase I | 1,285,549,518 | - | - | - | 1,285,549,518 |
| VIG Phase II | 762,018,056 | - | - | - | 762,018,056 |
| VIG ISC Phase II | 47,579,308 | - | (11,800,632) | (35,778,676) | - |
| | 3,478,860,557 | - | (11,851,243) | 249,463,041 | 3,716,472,355 |
| Less accumulated depreciation and amortization for: | | | | | |
| Infrastructure | 348,980,875 | 29,049,624 | - | - | 378,030,499 |
| Buildings | 72,932,405 | 2,903,875 | - | - | 75,836,280 |
| Improvements other than buildings | 23,914,589 | 488,358 | - | - | 24,402,947 |
| Equipment | 263,728,582 | 26,810,314 | (47,055) | - | 290,491,841 |
| Capital lease assets | 69,724,719 | 37,150,641 | - | - | 106,875,360 |
| **Total accumulated depreciation and amortization** | 779,281,170 | 96,402,812 | (47,055) | - | 875,636,927 |
| **Depreciable capital assets, net** | 2,699,579,387 | (96,402,812) | (11,804,188) | 249,463,041 | 2,840,835,428 |
| **Total capital assets, net** | $3,115,199,343 | $ 47,172,985 | $ (11,804,188) | $ - | $3,150,568,140 |

* The capital asset components recorded pursuant to the Virginia International Gateway, Inc. (VIG) lease can be summarized as follows:

- VIG Phase I (existing facility) – the original operating facility consisting of buildings, rail infrastructure, stacks and wharf. The facility was in service at the commencement of the lease and, accordingly, is being amortized over the life of the lease.
- VIG Phase II (facility expansion) – the development of approximately 60 acres adjacent to Phase I which consists of the extension of the existing berth, a rail expansion, and additional container stacks and transfer facilities. The expansion has been managed by the Authority and funded by the lessor, and construction was deemed final in November 2019. Accordingly, the lease asset as recorded is being amortized over the remaining lease term.
- VIG ISC Phase II (expansion transfer assets) – A pool of assets, consisting principally of container handling and storage equipment, which has been acquired during (and funded through) the Phase II expansion development. The final ISC Phase II assets were transferred to VPA in October 2019. The total fair market value of the transferred assets was $55.7 million, which resulted in an $11.8 million reduction to the leased asset value. These assets are recorded in the applicable asset category and are being depreciated over their estimated useful lives.

## Note 5. Capital Assets (Continued)

Blended Component Unit – VIT

Changes in capital assets for the year ended June 30, 2020 are summarized as follows:

| | Balance July 1, 2019 | Additions | Deletions | Transfers | Balance June 30, 2020 |
|---|---|---|---|---|---|
| CIP (non-depreciable) | $ 2,763,040 | $ 9,569,320 | $ - | $ (8,408,319) | $ 3,924,041 |
| Depreciable capital assets: | | | | | |
| Automobiles and trucks | 7,740,070 | 13,990 | - | 130,824 | 7,884,884 |
| Terminal gear and equipment | 31,852,355 | - | (217,783) | 5,698,506 | 37,333,078 |
| Furniture and fixtures | 2,001,243 | - | - | 46,533 | 2,047,776 |
| Data processing equipment | 70,629,974 | - | (227,167) | 2,445,140 | 72,847,947 |
| Improvements | 2,681,653 | - | - | - | 2,681,653 |
| Buildings | 164,370 | - | - | 87,316 | 251,686 |
| | 115,069,665 | 13,990 | (444,950) | 8,408,319 | 123,047,024 |
| Less: accumulated depreciation and amortization | (80,351,159) | (7,436,520) | 158,738 | - | (87,628,941) |
| **Depreciable capital assets, net** | 34,718,506 | (7,422,530) | (286,212) | 8,408,319 | 35,418,083 |
| **Net capital assets** | $ 37,481,546 | $ 2,146,790 | $ (286,212) | $ - | $ 39,342,124 |

## Note 6. Long-Term Debt

### Changes in Long-Term Indebtedness

A summary of changes in long-term indebtedness for the Authority follows:

| | Balance July 1, 2019 | Increases | Decreases | Balance June 30, 2020 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Revenue bonds | $ 500,720,000 | $ - | $ (15,830,000) | $ 484,890,000 | $ 16,065,000 |
| Issuance premium | 19,175,518 | - | (961,405) | 18,214,113 | 975,315 |
| **Total revenue bonds** | 519,895,518 | - | (16,791,405) | 503,104,113 | 17,040,315 |
| Installment purchases | 28,439,956 | 37,062,577 | (2,569,287) | 62,933,246 | 4,562,617 |
| Note payable - dredging | 2,111,728 | - | (47,617) | 2,064,111 | 48,986 |
| VIG lease | 2,250,391,012 | 14,431,428 | (11,800,632) | 2,253,021,808 | - |
| Compensated absences | 967,318 | 228,533 | - | 1,195,851 | 726,638 |
| **Total** | $2,801,805,532 | $ 51,722,538 | $ (31,208,941) | $2,822,319,129 | $ 22,378,556 |

## Note 6. Long-Term Debt (Continued)

### Details of Long-Term Indebtedness

| | | Balance as of June 30, 2020 |
|---|---|---|
| Revenue Bonds | | |
| On January 25, 2012, Commonwealth Port Fund Revenue Refunding Bonds Series 2012 (Taxable), (the "Series 2012 Bonds"), dated the same, were issued in the principal amount of \$108,015,000. The bonds are payable in annual principal installments varying from \$7,005,000 to \$8,730,000 with semi-annual interest payments with rates ranging from 2.72% to 3.72% and the final installment due July 1, 2027. Proceeds of the Series 2012 Bonds have been used to (a) refund in full the outstanding principal amount of the Authority's Commonwealth Port Fund Revenue Bonds (2002 Resolution) (the "Series 2002") issued on July 23, 2002, and (b) pay all or a portion of the expenses incurred with respect to the issuance of the Series 2012 Bonds and the refunding of the Series 2002 Bonds. The Series 2012 Bonds are payable primarily from the Commonwealth Port Fund. | $ | 62,395,000 |
| On September 26, 2012, Commonwealth Port Fund Revenue Refunding Bonds, Series 2012B (Taxable), (the "Series 2012B Bonds") dated the same, were issued in the principal amount of \$45,230,000. The bonds are payable in annual principal installments varying from \$2,900,000 to \$3,630,000 with interest of 2.15% to 3.68% payable semiannually, the final installment due July 1, 2029. Proceeds of the Series 2012B Bonds have been used (a) to pay the costs of refunding all or a portion of the Series 2005A Bonds, and (b) to pay costs of issuance of the Series 2012B Bonds. The Series 2012B Bonds are payable primarily from the Commonwealth Port Fund. | | 31,985,000 |
| On September 26, 2012, Commonwealth Port Fund Revenue Refunding Bonds, Series 2012C (Non-AMT), (the "Series 2012C Bonds") dated the same, were issued in the principal amount of \$4,795,000. The bonds are payable in principal amounts of \$780,000 and \$4,015,000, due July 1, 2029 and July 1, 2030, respectively. Semi-annual interest payments commenced July 1, 2013 with interest of 3.0% to 5.0%, the final installment due July 1, 2030. These bonds have a first optional redemption date of July 1, 2022. The proceeds of the Series 2012C Bonds have been used (a) to pay the costs of refunding all of the Series 2005B Bonds, and (b) to pay costs of issuance of the Series 2012C Bonds. The Series 2005B Bonds were issued on April 14, 2005. The Series 2012C Bonds are payable primarily from the Commonwealth Port Fund. | | 4,795,000 |

**Note 6. Long-Term Debt (Continued)**

**Details of Long-Term Indebtedness (Continued)**

| | Balance as of June 30, 2020 |
|---|---|
| Revenue Bonds (Continued) | |
| On June 23, 2015, Commonwealth Port Fund Revenue Bonds, Series 2015 (AMT), (the "Series 2015 CPF Bonds") dated the same, were issued in the principal amount of $58,680,000. The bonds are payable in annual principal installments between $6,250,000 and $7,050,000, beginning July 1, 2028 through July 1, 2031 and annual installments between $7,420,000 and $8,590,000 beginning July 1, 2037 with the final installment due July 1, 2040. Semi-annual interest payments commence January 1, 2016 with interest of 5.0% payable semiannually on January 1 and July 1. The Series 2015 CPF Bonds are payable primarily from the Commonwealth Port Fund. The proceeds of the Series 2015 CPF Bonds have been used to finance improvements to the Port Facilities at NIT, PMT, VIP and RMT. | $ 58,680,000 |
| On November 17, 2016, Port Facilities Revenue Refunding Bonds, Series 2016A (Taxable) (the "Series 2016A Bonds") dated the same, were issued in the amount of $143,965,000. The bonds are payable in annual principal installments varying from $1,600,000 to $10,300,000 with interest of 1.93% to 4.48% payable semiannually, the final installment due July 1, 2045. These bonds have a first redemption date of July 1, 2026 at 100% of the principal amount for Series 2016A bonds maturing on or after July 1, 2027. The proceeds of the Series 2016A Bonds have been used (a) to pay the costs of refunding a portion of the remaining Series 2010 and Series 2015 Bonds, and (b) to pay costs of issuance of the Series 2016A Bonds. The Series 2016A Bonds are payable from the net revenues of the Authority, and are subordinate in priority to the Amended and Restated Deed of Facilities Lease Agreement dated September 21, 2016, by and between Virginia International Gateway, Inc. and Virginia Port Authority (the VIG lease). | 140,850,000 |
| On November 17, 2016, Port Facilities Revenue Refunding Bonds, Series 2016B (AMT) (the "Series 2016B Bonds") dated the same, were issued in the amount of $99,230,000. The bonds are payable in annual principal installments varying from $2,000,000 to $6,450,000 with interest of 5.0% payable semiannually, the final installment due July 1, 2045. These bonds have a first redemption date of July 1, 2026 at 100% of the principal amount for Series 2016B bonds maturing on or after July 1, 2027. The proceeds of the Series 2016B Bonds have been used (a) to pay the costs of refunding a portion of the remaining Series 2010 Bonds and Series 2015 Bonds, and (b) to pay costs of issuance of the Series 2016B Bonds. The Series 2016B Bonds are payable from the net revenues of the Authority, and are subordinate to the VIG lease. | 95,510,000 |

**Note 6. Long-Term Debt (Continued)**

**Details of Long-Term Indebtedness (Continued)**

| | | Balance as of June 30, 2020 |
|---|---|---|
| Revenue Bonds (Continued) | | |
| On November 17, 2016, Port Facilities Revenue Refunding Bonds, Series 2016C (non-taxable) (the "Series 2016C Bonds") dated the same, were issued in the amount of $37,335,000. The bonds are payable in annual principal installments varying from $2,340,000 to $9,840,000 with interest of 3.24% payable semiannually, the final installment due July 1, 2028. The proceeds of the Series 2016C Bonds have been used to pay the costs of refunding the remaining Series 2013 Bonds. The Series 2016C Bonds are payable from the net revenues of the Authority, and are subordinate to the VIG lease. | $ | 30,725,000 |
| On July 26, 2018, Commonwealth Port Fund Revenue Refunding Bonds, Series 2018 (the "Series 2018 Bonds") dated the same, were issued in the amount of $60,345,000. The bonds are payable in annual principal installments varying from $220,000 to $8,990,000 beginning July 1, 2019 with semi-annual interest payments with rates ranging from 2.78% to 3.97% beginning January 1, 2019, the final installment due July 1, 2036. Proceeds of the Series 2018 Bonds have been used (a) to pay the costs of refunding all of the Series 2011 Bonds, and (b) to pay costs of issuance of the Series 2018 Bonds. The Series 2018 Bonds are payable primarily from the Commonwealth Port Fund. | | 59,950,000 |
| **Sub-total revenue bonds** | | 484,890,000 |
| Issuance premium, net | | 18,214,113 |
| **Total revenue bonds** | | 503,104,113 |
| Installment Purchases | | |
| The Installment Purchase contract dated October 27, 2017 for the lease purchase of terminal equipment initially totaled $21,784,846 with addendums for an additional $45,215,154. Payments began on the initial group of equipment July 1, 2018 with semi-annual payments of principal and interest of $896,508 each January and July until January 1, 2033 at an interest rate of 2.83% per annum. Payments began on the second group of equipment January 1, 2019 with semi-annual payments of principal and interest of $477,059 each January and July until July 1, 2028 at an interest rate of 3.01% per annum. Payments began on the third group of equipment January 1, 2020 with semi-annual payments of principal and interest of $882,586 each January and July until July 1, 2034 at an interest rate of 2.52% per annum. Payments began on the fourth group of equipment July 1, 2020 with semi-annual payments of principal and interest of $842,192 each January and July until January 1, 2030 at an interest rate of 2.04% per annum. | | 62,933,246 |
| Note Payable - Dredging | | |
| A contract for the payment of channel dredging costs totaling $2,158,013 with original annual payments of principal and interest of $110,700 for a period of 30 years at an interest rate of 2.87%, to be adjusted every 5 years. Final payment is due in 2048. | | 2,064,111 |

**Note 6. Long-Term Debt (Continued)**

**Details of Long-Term Indebtedness (Continued)**

| | Balance as of June 30, 2020 |
|---|---|
| Capital Lease | |
| Capital lease liability recorded pursuant to the Amended and Restated Deed of Facilities Lease Agreement by and between Virginia International Gateway, Inc. and Virginia Port Authority, dated as of September 21, 2016 and commenced effective November 2016. See below for further description of the terms of the agreement. | $ 2,253,021,808 |
| Compensated Absences | |
| VPA employees' attendance and leave regulations make provision for the granting of a specified number of days of leave each year. The amount of leave earned but not taken is recorded as a liability on the Statement of Net Position. At June 30, 2019 the amounts reflect all earned "paid time off" and compensatory leave not taken, and the management estimated most probable amount payable under the Authority's legacy leave and sick leave policies, upon termination. The Authority's legacy leave has been calculated using remaining legacy leave as of December 31, 2019, which has been capped at the remaining hours balance up to the maximum 160 hours payout at termination, at the December 31, 2014 salary rate. The compensated absence liability includes provision for related payroll taxes. | 1,195,851 |
| **Total long-term indebtedness** | $ 2,822,319,129 |

**Annual Long-Term Debt Requirements**

Summaries of future principal and interest maturities under long-term obligations as of June 30, 2020 are as follows:

Revenue Bonds

| Year(s) Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2021 | $ 16,065,000 | $ 19,821,606 | $ 35,886,606 |
| 2022 | 16,535,000 | 19,336,890 | 35,871,890 |
| 2023 | 17,040,000 | 18,813,511 | 35,853,511 |
| 2024 | 17,575,000 | 18,250,967 | 35,825,967 |
| 2025 | 18,165,000 | 17,647,889 | 35,812,889 |
| 2026-2030 | 102,500,000 | 77,579,738 | 180,079,738 |
| 2031-2035 | 99,180,000 | 55,903,081 | 155,083,081 |
| 2036-2040 | 99,310,000 | 35,038,330 | 134,348,330 |
| 2041-2045 | 81,770,000 | 13,004,471 | 94,774,471 |
| 2046 | 16,750,000 | 391,862 | 17,141,862 |
| **Total revenue bonds** | $ 484,890,000 | $ 275,788,345 | $ 760,678,345 |

**Note 6. Long-Term Debt (Continued)**

**Annual Long-Term Debt Requirements (Continued)**

Installment Purchases

| Year(s) Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2021 | $ 4,562,617 | $ 1,634,135 | $ 6,196,752 |
| 2022 | 4,733,238 | 1,463,453 | 6,196,691 |
| 2023 | 4,854,374 | 1,342,317 | 6,196,691 |
| 2024 | 4,978,674 | 1,218,017 | 6,196,691 |
| 2025 | 5,106,223 | 1,090,468 | 6,196,691 |
| 2026-2030 | 26,111,413 | 3,440,866 | 29,552,279 |
| 2031-2035 | 12,586,707 | 735,561 | 13,322,268 |
| **Total installment purchases** | $ 62,933,246 | $ 10,924,817 | $ 73,858,063 |

Note Payable – Dredging

| Year(s) Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2021 | $ 48,986 | $ 59,343 | $ 108,329 |
| 2022 | 50,394 | 57,935 | 108,329 |
| 2023 | 51,843 | 56,486 | 108,329 |
| 2024 | 53,333 | 54,996 | 108,329 |
| 2025 | 54,866 | 53,462 | 108,328 |
| 2026-2030 | 298,920 | 242,723 | 541,643 |
| 2031-2035 | 344,433 | 197,210 | 541,643 |
| 2036-3040 | 396,875 | 144,768 | 541,643 |
| 2041-2045 | 457,302 | 84,341 | 541,643 |
| 2046-2048 | 307,159 | 17,830 | 324,989 |
| **Total note payable - dredging** | $ 2,064,111 | $ 969,094 | $ 3,033,205 |

Capital Lease Obligation – VIG Lease

In November 2016, VPA formally commenced an amended and restated deed of facilities lease agreement for the Virginia International Gateway terminal in Portsmouth, Virginia (the VIG lease). The agreement provides for the extension of the termination date of the original lease from June 30, 2030 to December 31, 2065, as well as the expansion of the operable terminal capacity of the facility.

In addition to the extension of the lease term for the existing facility (Phase I), the lessors financed the development of additional container handling capacity on approximately 60 acres adjacent to Phase I which increased the annual volume capacity from approximately 680 thousand movements to approximately 1.2 million (Phase II). Phase II development costs funded by the lessor were $312 million to be recovered through the minimum lease payments paid by VPA. The Phase II development costs being financed by the lessor was settled during FY2020. The lease also provides for certain assets (consisting principally of container handling equipment) to be transferred to VPA via a bill of sale upon commencement, and other similar assets to be transferred to VPA via bill of sale as acquired during Phase II development (transferred assets). The final ISC Phase II assets were transferred to VPA in October 2019. The total fair market value of the transferred assets was $55.7 million, which resulted in an $11.8 million reduction to the originally estimated lease obligation. The transferred assets are required to be maintained as security for the lease obligation.

**Note 6. Long-Term Debt (Continued)**

**Annual Long-Term Debt Requirements (Continued)**

Capital Lease Obligation – VIG Lease (Continued)

The payment terms of the restated lease consist of an initial annual base rent of $51.7 million, plus $11 million of expansion rent during the first lease year, increasing to $22 million of expansion rent during the second lease year, and finally $33 million during the third lease year and thereafter (e.g. $84.7 million of adjusted annual base rent from year three forward). During the construction period, the restated lease also provided for an additional $1 million annually of interim construction rent, which ceased as of October 1, 2019. After years five and ten of the amended and restated lease, the total annual rent increases by an additional $1 million at each interval.

All lease payments are subject to escalation based on changes in the Consumer Price Index for All Urban Consumers as published by the United States Bureau of Labor Statistics (CPI). Escalation is based on the CPI published for May of each year to be effective the following July 1. Based on the CPI published for October 2016, the change in CPI assumed for calculation of the minimum lease payments was 1.6%. Capital lease assets in the amount of $2.2 billion were recorded at lease inception, along with a lease liability in the same amount. A condition of the lease is that VIG will receive senior preference in relation to Port Facilities Revenue Bonds or other obligations entered into pursuant to Resolution 16-9.

Any increases or decreases in future lease payments that result from CPI different than that applied to the minimum lease payment calculation at the lease inception will be accounted for as contingent rentals and be recorded in the applicable lease year as realized.

| Year(s) Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2021 | $ (14,293,912) | $ 104,225,707 | $ 89,931,795 |
| 2022 | (12,750,323) | 104,849,978 | 92,099,655 |
| 2023 | (11,458,397) | 105,401,954 | 93,943,557 |
| 2024 | (10,459,654) | 105,906,307 | 95,446,653 |
| 2025 | (9,388,975) | 106,362,775 | 96,973,800 |
| 2026-2030 | (23,307,205) | 536,407,677 | 513,100,472 |
| 2031-2035 | 20,111,559 | 537,060,192 | 557,171,751 |
| 2036-3040 | 76,792,762 | 526,402,094 | 603,194,856 |
| 2041-2045 | 152,411,714 | 500,607,814 | 653,019,528 |
| 2046-2050 | 252,234,517 | 454,725,266 | 706,959,783 |
| 2051-2055 | 382,925,246 | 382,430,325 | 765,355,571 |
| 2056-2060 | 552,912,322 | 275,662,607 | 828,574,929 |
| 2061-2065 | 772,850,566 | 124,165,719 | 897,016,285 |
| 2066 | 124,441,588 | 1,991,448 | 126,433,036 |
| **Total capital lease obligation** | $2,253,021,808 | $3,866,199,863 | $6,119,221,671 |

As a result of the difference between the scheduled minimum lease payments and the calculated periodic interest expense associated with the lease liability, the annual lease payments are not projected to exceed the annual calculated interest and, therefore, provide for a positive amortization (net reduction in outstanding principal) until FY2031.

## Note 6. Long-Term Debt (Continued)

### Annual Long-Term Debt Requirements (Continued)

Capital Lease Obligation – VIG Lease (Continued)

At June 30, 2020, assets recorded pursuant to the VIG capital lease were included in depreciable/amortizable capital assets shown in Note 5.

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

| | Debt | Premium | Total Long-Term Debt |
|---|---|---|---|
| Commonwealth port fund revenue bonds | $ 217,805,000 | $ 5,903,139 | $ 223,708,139 |
| Port facilities revenue bonds | 267,085,000 | 12,310,974 | 279,395,974 |
| Installment purchases | 62,933,246 | - | 62,933,246 |
| Note payable - dredging | 2,064,111 | - | 2,064,111 |
| Capital lease obligation – VIG lease | 2,253,021,808 | - | 2,253,021,808 |
| | $ 2,802,909,165 | $ 18,214,113 | 2,821,123,278 |
| Compensated absences | | | 1,195,851 |
| | | | $ 2,822,319,129 |

The Series 2016A Bonds and 2016B Bonds are required to be collateralized with liquid funds sufficient to cover the highest year of debt service. As of June 30, 2020, $5,487,211 and $3,373,272 were reserved as restricted cash and investments, respectively, to satisfy these requirements.

### Blended Component Unit – VIT

On January 1, 2015, VIT converted employees' earned but not used vacation and personal leave balances at December 31, 2014 into a new legacy leave bank. Legacy leave was available for use as paid time off until December 31, 2019. Balances in excess of 160 hours remaining unused at January 1, 2020 were forfeited. Legacy leave may be paid out upon termination of an employee at the employee's December 31, 2014 wage rate times the lesser of their then current legacy leave balance or 160 hours. Additionally on January 1, 2015, VIT implemented a new paid time off (PTO) policy, providing compensated absences that can be used each calendar year. At the end of each calendar year, any earned but unused PTO in excess of 40 hours will be forfeited. Up to 40 hours of earned but unused PTO at the end of a calendar year may be carried forward for use within the next 6 months. At June 30, any remaining prior year earned but unused PTO will be forfeited. PTO is earned on a quarterly basis but available for use on January 1 of each year. Leave used over and above the earned amounts at termination are to be repaid to VIT. As of June 30, 2020, VIT has recorded a liability of $1,399,092 for compensated absences.

## Note 7. Defeasance of Debt

### Refundings

On November 17, 2016, the Authority issued $143,965,000 (par value) of Port Facilities Revenue Refunding Bonds, Series 2016A (Taxable) to advance refund $57,085,000 in principal amount of the Authority's Port Facilities Revenue Bonds, Series 2010 issued in the original par amounts of $68,630,000; to advance refund $42,435,000 in principal amount of the Authority's Port Facilities Revenue Bonds, Series 2015C issued in the original par amounts of $85,130,000, and to advance refund $14,159,675 in principal and interest amounts of various equipment leases. The net proceeds from the issuance, along with other funds available from the Authority, were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are to be called. At June 30, 2020, $94,580,000 of these defeased bonds were still outstanding.

On November 17, 2016, the Authority issued $99,230,000 (par value) of Port Facilities Revenue Refunding Bonds, Series 2016B (AMT) to advance refund $10,030,000 in principal amount of the Authority's Port Facilities Revenue Bonds, Series 2010 issued in the original par amounts of $68,630,000; to advance refund $42,695,000 in principal amount of the Authority's Port Facilities Revenue Bonds, Series 2015C issued in the original par amounts of $85,130,000 and to advance refund $55,925,000 in principal amount of the Authority's Port Facilities Revenue Bonds, Series 2015B issued in the original par amounts of $56,755,000. The net proceeds from the issuance, along with other funds available from the Authority, were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are to be called. At June 30, 2020, $94,825,000 of these defeased bonds were still outstanding.

On July 26, 2018, the Authority issued $60,345,000 (par value) of Commonwealth Port Fund Revenue Refunding Bonds, Series 2018 to advance refund $57,370,000 in principal amount of the Authority's Commonwealth Port Fund Revenue Bonds, Series 2011 (Non-AMT) issued in the original par amounts of $57,370,000. The net proceeds from the issuance, along with other funds available from the Authority, were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are to be called. At June 30, 2020, $57,370,000 of these defeased bonds were still outstanding.

The Series 2016A and 2016B refundings were undertaken as a condition of the VIG lease. The reacquisition price of $298,235,744 netted against the book value of the refunded debt resulted in the recognition of a deferred outflow of resources of $24,352,824. At June 30, 2020, $16,887,306 remained as unamortized deferred outflows of resources. In addition, there are unamortized deferred outflows of resources related to the refundings of Series 2002, 2005A, and 2011 of $2,464,373, $299,186, and $268,944, respectively.

## Note 8. Commitments and Contingencies

As of June 30, 2020, the Authority has commitments to construction contracts totaling $517,429,707 of which $373,410,472 has been incurred.

Payments for rent under an operating lease agreement amounted to $852,293 for the year paid by VIT and recorded as a transfer to the Authority for space rental of offices at the World Trade Center.

Expenses for other operating lease agreements amounted to $185,000 in FY2020.

**Note 8. Commitments and Contingencies (Continued)**

Operating lease commitments in aggregate are as follows:

| Year Ending June 30, | Amount |
|---|---|
| 2021 | $ 185,000 |
| 2022 | 185,000 |
| 2023 | 180,000 |
| 2024 | 180,000 |
| 2025 | 180,000 |
| Thereafter | 5,490,000 |
| **Total** | $ 6,400,000 |

Blended Component Unit – VIT Leases

VIT leases administrative office space, equipment, and land. Each of the leases has different rates and renewal dates. Applicable lease commitments in the aggregate are as follows:

| Year Ending June 30, | Amount |
|---|---|
| 2021 | $ 10,132,736 |
| 2022 | 8,975,185 |
| 2023 | 8,022,258 |
| 2024 | 4,688,864 |
| 2025 | 2,002,401 |
| Thereafter | 4,370,201 |
| **Total** | $ 38,191,645 |

Rental expense incurred under all operating leases other than chassis (including less than one year and cancellable) was $3,124,473 for the year ended June 30, 2020. Rental expense incurred is net of rents paid on behalf of the VPA which were recorded as a transfer to the VPA totaling $852,293 for the year ended June 30, 2020.

Hampton Roads Chassis Pool II, LLC (HRCP) is a wholly owned subsidiary of VIT that operates a chassis pool for rental to shipping lines and constituent motor carriers. HRCP leases chassis under various operating lease agreements. The agreements may be renewed or terminated at the end of each term. HRCP must maintain and repair chassis delivered to the pool. Rent expense under the operating leases totaled $17,473,007 during the year ended June 30, 2020 and is included in operating expenses.

VIT has various rental and sub-lease agreements ranging from one to three years. Rental and sub-lease income received under these agreements totaled $3,074,420 during the year ended June 30, 2020. Contractual future payments to be received under these agreements are $2,307,640 in 2021.

## Note 8. Commitments and Contingencies (Continued)

### Federal Grants

The Authority receives federal grant funding from the United States Department of Transportation, Maritime Administration to purchase equipment, support barge movements and to improve security around the ports of Virginia. In addition, the Authority has also been awarded grants from the Environmental Protection Agency, FEMA and other federal agencies. The grants are subject to review and audit under the "Uniform Guidance." Entitlement to these resources is conditional upon compliance with the terms and conditions of the agreements, including the expenditure of resources for allowable purposes. The Authority is required to comply with various federal regulations issued by the Office of Management and Budget.

### Imposed Non-Exchange Transaction

The Authority, through a Joint Memorandum of Agreement, received $1.9 million in FY2009 as a mitigation payment from Virginia Natural Gas to fund Army Corps of Engineers approved enhancements to Anchorage K for future dredging and navigation activities associated with the provision of a deeper anchorage area in the waters that are contiguous to the area known as Hampton Roads. These funds were deposited into an interest-bearing account. As of June 30, 2020, $2,096,366 remains in the account.

### Lawsuits and Claims

The Authority, from time to time, is a defendant in lawsuits generally incidental to its business. It is management's opinion that the financial position of the Authority will not be materially affected by the ultimate resolution of litigation pending or threatened at June 30, 2020.

Blended Component Unit – VIT

VIT is a defendant in various lawsuits generally incidental to its business. It is management's opinion that the financial position of VIT will not be materially affected by the ultimate resolution of litigation pending or threatened at June 30, 2020.

On April 7, 2014, VIT obtained a letter of credit available in the amount of $1,001,300 for workers' compensation claims. It bears interest at prime and is set to expire on May 31, 2021. At June 30, 2020, there were no borrowings outstanding.

On May 20, 2020, VIT obtained a letter of credit available in the amount of $15,000,000 as a preemptive measure to supplement VIT's liquidity reserve requirement capacity. It bears interest at LIBOR plus 1.5% per annum and is set to expire on July 31, 2021. At June 30, 2020, there were no borrowings outstanding.

## Note 9. Pension Plans

### Pensions

The Authority provides two defined benefit plans for its employees. Employees of record on July 1, 1997 had the option of electing to be covered as a State employee, and their benefits maintained under the Virginia Retirement System (VRS), or electing to be covered under a newly created pension plan (the VPA Defined Benefit Plan). The VPA Defined Benefit Plan covers all employees hired between July 1, 1997 and February 1, 2014. Employees hired after February 1, 2014 are eligible for a defined contribution plan only. On January 1, 2015, the plan was amended to add certain employees who transferred from VIT (referred to as "Legacy VIT Participants") to the VPA. Those employees carry the same eligibility rules as referenced in the VIT plan section.

Employees of the Authority who elected to remain employees of the Commonwealth participate in a defined benefit pension plan administered by the VRS. For information on the VRS retirement plan, please see the VRS website at https://employers.varetire.org/financial-reporting/vrs-guidlines-and-resources.php for pension plan reporting information. The VRS also administers life insurance and health related plans for retired employees. Information relating to these plans is available at the statewide level only in the Commonwealth of Virginia's Comprehensive Annual Financial Report (CAFR). The Commonwealth, not the Authority, has overall responsibility for contributions to these plans. The Authority has elected not to disclose information related to the VRS Plan on the basis of its relative immateriality to VPA taken as a whole. The VRS Net Pension Liability recorded at June 30, 2020 is $385,503 along with a deferred outflow of $71,545 and a deferred inflow of $145,807.

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

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

**Note 9. Pension Plans (Continued)**

**VPA Defined Benefit Plan**

A. General Eligibility Rules

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

| | General | Police |
|---|---|---|
| Normal Retirement: | | |
| (a) Age | 65 | 60 |
| Early Retirement: | | |
| (a) Age | 50 | 50 |
| (b) Service | 10 | 5 |
| Early Retirement: | | |
| (a) Age | 55 | N/A |
| (b) Service | 5 | N/A |
| Disability: | | |
| (a) Service | 5 | 5 |

***Effective date:*** August 1, 1998; latest amendment effective July 1, 2018.

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

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

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

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

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

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

**Note 9. Pension Plans (Continued)**

**VPA Defined Benefit Plan (Continued)**

B. Summary of Principal Plan Provisions

***Early retirement benefit:*** The benefit is the employee's accrued benefit payable at normal retirement age without reduction, or without reduction at age 50 if the employee has completed the number of years of credited service required for unreduced early retirement. Otherwise, if the employee retires at age 55 or later, the benefit is the accrued benefit reduced by .5% for each month up to 60 months and .4% for each month in excess of 60 months that his or her early retirement date precedes the earlier of normal retirement age or the date the employee would have reached his or her first unreduced early retirement date assuming employment had continued.

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

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

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

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

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

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

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

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

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

**Note 9. Pension Plans (Continued)**

**VPA Defined Benefit Plan (Continued)**

B. Summary of Principal Plan Provisions (Continued)

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

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

***Integration with VRS benefits for sworn employees:*** Sworn employees who receive their basic retirement benefit from VRS and for whom VRS does not provide the normal retirement age, unreduced early retirement benefits and reduced early retirement benefits described for sworn employees under the VPA Defined Benefit Plan, will receive an additional benefit from the VPA Defined Benefit Plan. The amount of the additional benefit is equal to the (1) benefit determined using VPA credited service and the VPA Defined Benefit Plan normal retirement age, unreduced early retirement benefit and/or reduced early retirement, minus (2) the benefit to which the participant is entitled under VRS based on VPA credited service.

***Contributions:*** As the plan sponsor for the VPA Defined Benefit Plan, the Authority sets a contribution amount annually based on recommendations provided by the plan's Actuary. The Authority elected to contribute $2,120,000 in FY2020 for employees receiving the basic retirement benefit from the plan. The plan does not specify a minimum funding requirement.

The annual pension cost for the current year was actuarially determined as of June 30, 2019 using the Individual Entry Age Normal cost method. The actuarial value of plan assets was determined using fair value. The discount rate used in determining the actuarial liability was 7.0% and 3.5% was used for future annual compensation increases.

C. Schedules

Members covered by the benefit terms:

| | |
|---|---|
| Inactive members or beneficiaries currently receiving benefits | 85 |
| Inactive members entitled to but not yet receiving benefits | 53 |
| Active eligible members | 102 |
| | 240 |

**Note 9. Pension Plans (Continued)**

**VPA Defined Benefit Plan (Continued)**

D. Net Pension Liability

VPA's net pension liability at June 30, 2020 was actuarially measured as of July 1, 2019, and total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

| Net Pension Liability Under GASB Statement No. 68 | June 30, 2019 |
|---|---|
| Total pension liability | $ 27,082,315 |
| Plan fiduciary net position | 20,698,398 |
| Net pension liability | $ 6,383,917 |
| | |
| Plan fiduciary net position as a percentage of the total pension liability | 76.43% |

E. Changes in Net Pension Liability

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at June 30, 2019 | $ 24,849,953 | $ 18,859,066 | $ 5,990,887 |
| Changes for the year: | | | |
| Service cost | 593,351 | - | 593,351 |
| Interest | 1,748,077 | - | 1,748,077 |
| Differences between expected and actual experience | 149,369 | - | 149,369 |
| Net investment income | - | 1,298,795 | (1,298,795) |
| Contributions from employer | - | 1,515,194 | (1,515,194) |
| Benefit payments | (941,562) | (941,562) | - |
| Administrative expense | - | (33,095) | 33,095 |
| Changes of assumptions | 683,127 | - | 683,127 |
| Balances at June 30, 2020 | $ 27,082,315 | $ 20,698,398 | $ 6,383,917 |

**Note 9. Pension Plans (Continued)**

**VPA Defined Benefit Plan (Continued)**

F. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

| | 1% Decrease (6%) | Current Rate (7%) | 1% Increase (8%) |
|---|---|---|---|
| Total pension liability | $ 30,958,954 | $ 27,082,315 | $ 23,866,837 |
| Plan fiduciary net position | 20,698,398 | 20,698,398 | 20,698,398 |
| **Net pension liability** | $ 10,260,556 | $ 6,383,917 | $ 3,168,439 |

G. Deferred Outflows/Inflows of Resources Related to Pensions

At June 30, 2020, reported deferred outflows of resources and deferred inflows of resources related to pensions originated from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Employer contributions made subsequent to measurement date | $ 2,120,000 | $ - |
| Difference between actual and expected experience | 1,121,169 | (261,212) |
| Assumption changes | 827,060 | (88,633) |
| Net difference between projected and actual earnings on pension plan investments | 212,481 | (465,870) |
| **Total** | $ 4,280,710 | $ (815,715) |

The $2,120,000 reported as deferred outflows of resources resulting from employer contributions subsequent to measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30, | Amount |
|---|---|
| 2021 | $ 489,907 |
| 2022 | 438,892 |
| 2023 | 384,104 |
| 2024 | 32,092 |
| | $ 1,344,995 |

For the year ended June 30, 2020, VPA recognized a pension expense of $1,631,833.

**Note 9. Pension Plans (Continued)**

**VPA Defined Benefit Plan (Continued)**

H. Long-Term Expected Rate of Return

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return* |
|---|---|---|
| Fixed income | 32.2% | 3.09% |
| Domestic and international equities | 55.7% | 9.39% |
| Real estate | 2.8% | 7.35% |
| Other investments | 9.3% | 3.50% |
| | 100.0% | |

* This is an arithmetic nominal return. VPA uses this information as a data point and benchmarks their return assumptions against other comparable entities.

I. Deferred Compensation Plans

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

The VPA Deferred Compensation Plan covers all employees hired after July 1, 1997, and those employees electing coverage under the Authority's deferred compensation plan. The Matching Savings Plan covers substantially all employees. The Matching Savings Plan requires VPA to match contributions in an amount equal to 50% of the first 6% of the participant's base pay contributed to the plan for employees hired on or before January 28, 2014. VPA's total contribution to the Matching Savings Plan was $117,185 for the year ended June 30, 2020.

On January 28, 2014, the Authority's Board adopted Resolution 14-2, Freezing Pension Plan to New Participants and Establishing Enhanced Defined Contribution Plan for New Employees, in order to move toward normalizing the retirement benefits between the Authority and VIT. Beginning April 1, 2014, employees hired after January 28, 2014 (Enhanced Participants), will be provided an employer contribution of 4% of compensation and are also eligible for a matching contribution of 50% of the first 4% of compensation contributed to the Deferred Compensation Plan. VPA's total contribution to the VPA Defined Contribution Plan for Enhanced Participants for the year ended June 30, 2020 was $415,888 for the Defined Contribution and $162,225 for the Enhanced Participant Employer Matching Contribution.

**Note 9. Pension Plans (Continued)**

**VPA Defined Benefit Plan (Continued)**

I. Deferred Compensation Plans (Continued)

Employees transferring to the Authority from VIT, as part of the Port of Virginia (POV) restructure or shared services agreement, that had been hired by VIT prior to July 1, 2012 and were active participants of VIT's pension plan at the time of the transfer, and are not eligible for the Enhanced Defined Contribution plan, are eligible for a matching contribution of 50% of the first 3% of compensation contributed to the Deferred Compensation Plan. VPA's total matching contribution to the VPA Defined Contribution Plan for VIT Plan Participants for the year ended June 30, 2020 was $77,263.

The right to modify, alter, amend, or terminate the Authority's Deferred Compensation Plan and the Matching Savings Plan vests with the Investment Committee of the Authority.

**Blended Component Unit – VIT**

A. Plan Description

The Virginia International Terminals, LLC Pension Plan (VITPP) is a single employer, noncontributory defined benefit pension plan administered by VIT. VITPP provides retirement, disability, and death benefits to plan members and beneficiaries. Benefit provisions and obligations are established and may be amended by resolutions of the Board of Commissioners of the Virginia Port Authority. VITPP issues a stand-alone financial report. The most recent report is as of June 30, 2019 and is available upon request from VPA's administrative offices.

B. Benefits Provided

VITPP provides retirement, disability, and death benefits to plan members and beneficiaries. Normal retirement benefits are in the form of life annuities based on the normal retirement benefit, as defined by the plan document. Entry into the VITPP was frozen as of June 30, 2012. Vesting is over seven years of service, ranging from 20% at two years of service, to 60% at five years of service and full vesting at seven years of service. Disability benefits are available to those with five years of credited service and eligibility for social security disability benefits is required. Benefits commence on an employee's normal retirement date and are computed using credited service as of the normal retirement date and final average earnings as of the disability retirement date. Pre-retirement death benefits are payable to the spouse of a vested employee who dies before retirement benefits have begun. The pre-retirement death benefit will be equal to the monthly amount the spouse would have received if the employee had terminated employment just before their death, serviced to the earliest date on which they could have retired, and died having elected a 50% joint and survivor benefit.

Employees covered by the benefit terms:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 271 |
| Inactive employees entitled to but not yet receiving benefits | 204 |
| Active eligible employees | 176 |
| **Total** | 651 |

**Note 9. Pension Plans (Continued)**

**Blended Component Unit – VIT (Continued)**

C. Contributions

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

Members are not required to contribute to the plan. VIT makes an actuarially determined contribution to the plan for all covered employees. VIT's contributions to the pension plan were $7,031,866 and $4,666,517 for the years ended June 30, 2020 and 2019, respectively (measurement dates of June 30, 2019 and 2018, respectively).

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

D. PBGC Premiums

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

Plans covered by the PBGC insurance program must file an annual premium filing each year with the PBGC via their online myPAA system within 9½ months after the beginning of the plan year. All plans must pay a basic premium based on the number of participants as of the end of the previous plan year, and plans with unfunded vested benefits must also pay an additional risk-related premium to the PBGC. The premium amount payable is $398,061 calculated for a full fiscal year.

E. Net Pension Liability

VIT's net pension liability at June 30, 2020 was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

F. Actuarial Present Value of Accumulated Plan Benefits

The actuarial present value of accumulated plan benefits as determined by an independent actuary using end of year benefit information as of June 30, 2019 is that amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment. The significant actuarial assumptions used in the valuation measured at June 30, 2019 were (a) life expectancy of participants (the Pub-2010 Mortality Table (Safety) with Scale MP-2019 and projected with Scale MP-2019), (b) retirement age (age 65), (c) investment return (average rate of return of 7%), (d) taxable wage base (2.5%), and (e) salary scale assumption of 3.5%. The foregoing actuarial assumptions are based on the presumption that the plan will continue. Were the plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

**Note 9. Pension Plans (Continued)**

**Blended Component Unit – VIT (Continued)**

G. Asset Valuation Method

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

H. Long-Term Expected Rate of Return

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return* |
|---|---|---|
| U.S. Large Cap Equity | 20.2% | 6.0% |
| U.S. Mid Cap Equity | 6.0% | 6.8% |
| U.S. Small Cap Equity | 3.1% | 7.5% |
| International Equity | 11.9% | 7.9% |
| Emerging Markets Equity | 3.6% | 10.4% |
| Commodities | 4.7% | 3.5% |
| REITS | 4.9% | 7.4% |
| Short Term Bonds | 4.0% | 3.3% |
| Aggregate Bonds | 40.6% | 4.1% |
| U.S. Long Duration Bonds | 1.0% | 4.4% |
| | 100.0% | |

* This is an arithmetic nominal return. VPA uses this information as a data point and benchmarks their return assumptions against other comparable entities.

**Note 9. Pension Plans (Continued)**

**Blended Component Unit – VIT (Continued)**

I. Changes in the Net Pension Liability

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Actuarially determined balances at June 30, 2019 | $ 104,328,286 | $ 94,991,085 | $ 9,337,201 |
| Changes for the year: | | | |
| Service cost | 900,897 | - | 900,897 |
| Interest | 7,197,527 | - | 7,197,527 |
| Differences between expected and actual experience | (2,518,409) | - | (2,518,409) |
| Contributions - employer | - | 7,031,866 | (7,031,866) |
| Changes of assumptions | 1,349,356 | - | 1,349,356 |
| Net investment income | - | 7,073,580 | (7,073,580) |
| Benefit payments, including refunds of employee contributions | (4,814,735) | (4,814,735) | - |
| Administrative expense | - | (550,239) | 550,239 |
| **Net changes** | 2,114,636 | 8,740,472 | (6,625,836) |
| Actuarially determined balances at June 30, 2020 | $ 106,442,922 | $ 103,731,557 | $ 2,711,365 |

Plan fiduciary net position as a percentage of the total pension liability 97.45%

J. Sensitivity of the Net Pension Liability to Changes in Discount Rate

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

K. Discount Rate Sensitivity – Net Pension Liability at End of Period

| | 1% Decrease (6%) | Current Rate (7%) | 1% Increase (8%) |
|---|---|---|---|
| Total pension liability | $ 118,573,205 | $ 106,442,922 | $ 96,155,260 |
| Plan fiduciary net position | 103,731,557 | 103,731,557 | 103,731,557 |
| **Net pension liability (asset)** | $ 14,841,648 | $ 2,711,365 | $ (7,576,297) |

**Note 9. Pension Plans (Continued)**

**Blended Component Unit – VIT (Continued)**

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

For the year ended June 30, 2020, VIT recognized a pension expense of $3,310,857.

VIT reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30, 2020:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Employer contributions made subsequent to measurement date | $ 6,478,156 | $ - |
| Difference between actual and expected experience | 608,213 | (2,014,727) |
| Assumption changes | 1,088,629 | (178,285) |
| Net difference between expected and actual earnings on pension plan investments | 1,612,012 | (1,382,220) |
| **Total** | $ 9,787,010 | $ (3,575,232) |

Deferred outflows of resources resulting from employer contributions subsequent to measurement date in the amount of $6,478,156 will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30, | Amount |
|---|---|
| 2021 | $ 703,219 |
| 2022 | (603,687) |
| 2023 | (58,923) |
| 2024 | (306,987) |
| | $ (266,378) |

**Note 10. Other Postemployment Benefits**

Effective January 1, 2015, VPA ceased providing formal post-employment benefits to all employees except for two subsets of employees whose benefits were grandfathered: (1) 38 VPA employees who were transferred from VIT will, if they retire at age 62 or older with at least 30 years of service, receive a premium subsidy of $500 per month until they reach age 65; and (2) 4 retired VPA employees are being allowed to remain in the VPA health and dental plans until age 65, but must pay the full actuarially determined premium to retain coverage. Based on an evaluation of these limited benefits by VPA's actuary, management has elected not to disclose information related to the OPEB liability on the basis of its relative immateriality to VPA taken as a whole. The OPEB liability recorded at June 30, 2020 is $618,000 along with a deferred outflow of $139,000 and a deferred inflow of $89,000.

**Blended Component Unit – VIT**

A. General Information about the OPEB Plan

***Plan description:*** VIT provides non-pension post-retirement medical insurance benefits to individuals who are at least 62 years of age who retire with 30 years of service through a single employer defined benefit OPEB plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

***Benefits provided:*** VIT provides medical and dental benefits for retirees. The benefit terms provide for the same coverage options as active employees for employee-only medical and dental plans with a maximum subsidy of $500 per month until age 65. Coverage for a spouse may be continued at the employee's expense for 10 years, until the spouse's 65th birthday or until the spouse remarries, whichever is earlier.

B. Employees Covered by Benefit Terms

Employees covered by the benefit terms as of June 30, 2020:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 9 |
| Active eligible employees | 79 |
| **Total** | 88 |

The OPEB plan is closed to new entrants.

C. Total OPEB Liability

VIT's total OPEB liability of $910,998 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date. Based on information included in that valuation, the liability was rolled forward to $896,653 at June 30, 2020.

D. Actuarial assumptions and other inputs

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Salary increases | 3.5% |
| Discount rate | 2.3% |
| Healthcare Cost Trend Rates | 6.0% decreasing 0.5% per year to an ultimate rate of 5.0% for 2022 and later years |

**Note 10. Other Postemployment Benefits (Continued)**

**Blended Component Unit – VIT (Continued)**

D. Actuarial Assumptions and Other Inputs (Continued)

The discount rate was based on a 20 year AA Municipal Bond Rate.

Mortality rates were based on the RP-2014 Mortality Fully Generational using Projection Scale MP-2018. The census was also updated to reflect the current population.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actual experience study for the period.

E. Changes in the Total OPEB Liability

| | Total OPEB Liability |
|---|---|
| Balance at June 30, 2019 | $ 910,998 |
| Changes for the year: | |
| Service cost | 17,004 |
| Interest | 20,745 |
| Benefit payments, including refunds of employee contributions | (52,094) |
| **Net changes** | (14,345) |
| Balance at June 30, 2020 | $ 896,653 |

The entry age actuarial cost method is unchanged from the prior OPEB valuation. Under this method, the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age.

F. Sensitivity of the Total OPEB Liability to Changes in Discount Rate

The following presents the total OPEB liability of VIT, calculated using the discount rate of 2.3%, as well as what VIT's estimated total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.3%) or 1-percentage-point higher (3.3%) than the current discount rate:

G. Discount Rate Sensitivity – Total OPEB Liability at End of Period

| | 1% Decrease (1.3%) | Current Rate (2.3%) | 1% Increase (3.3%) |
|---|---|---|---|
| Total OPEB liability | $ 948,208 | $ 896,653 | $ 846,967 |

**Note 10. Other Postemployment Benefits (Continued)**

**Blended Component Unit – VIT (Continued)**

H. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of VIT, as well as what VIT's total OPEB liability would be if it were calculated using healthcare costs trend rates that are 1-percentage-point lower (5 percent decreasing to 4 percent) or 1-percentage-point higher (7 percent decreasing to 6 percent) than the current healthcare cost trend rates:

| | 1% Decrease (5% decreasing to 4%) | Healthcare Cost Trend Rates (6% decreasing to 5%) | 1% Increase (7% decreasing to 6%) |
|---|---|---|---|
| Total OPEB liability | $ 832,069 | $ 896,653 | $ 969,266 |

I. OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, VIT recognized OPEB benefit of $26,742. VIT also reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30, 2020:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ - | $ (358,784) |
| Changes of assumptions | 29,262 | - |
| **Total** | $ 29,262 | $ (358,784) |

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

| Year Ending June 30, | Amount |
|---|---|
| 2021 | $ (64,491) |
| 2022 | (64,491) |
| 2023 | (64,491) |
| 2024 | (64,491) |
| 2025 | (64,491) |
| Thereafter | (7,067) |
| | $ (329,522) |

## Note 11. Supplemental Retirement Compensation Plans

VIT sponsors noncontributory supplemental plans covering certain key employees. The accrued liability net of investments in the supplemental plans was $16,771 as of June 30, 2020. Contributions to the plan for the year ended June 30, 2020 were $50,000.

In addition, VIT sponsors a deferred compensation plan and a matching savings plan under IRC Sections 457 and 401(a), respectively, which cover substantially all nonunion employees with 90 days or more of service. For employees hired prior to July 1, 2012, the matching savings plan requires VIT to match employee contributions in an amount equal to 50% of the first 3% of the participant's base pay contributed to the deferred compensation plan. For employees hired on or after July 1, 2012, the matching savings plan requires VIT to contribute 4% of base pay and to match employee contributions in an amount equal to 50% of the first 4% of the participant's base pay contributed to the deferred compensation plan. VIT's total contribution to the matching savings plan was $740,578 for the year ended June 30, 2020.

## Note 12. Accrued Workers' Compensation Costs

**Blended Component Unit – VIT**

The Authority participates in a workers' compensation insurance pool. The Authority remains obligated under its former self-insured plan for future losses as a result of accidents that occurred prior to April 12, 1999. The Authority is partially self-insured for those workers' compensation claims and maintains coverage of $5,000,000 per claim, but is obligated to pay the first $1,000,000 of any individual's claim per incident.

Included in accrued workers' compensation costs are a workers' compensation claims component and an accrued U.S. 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 balance at June 30, 2020 is classified as follows:

| | |
|---|---|
| Workers' compensation claims, current | $ 696,414 |
| Workers' compensation claims, noncurrent | 513,537 |
| **Total** | $ 1,209,951 |

The accrued U.S. Department of Labor assessment component is VIT's estimate of the present value of its future liability to the U.S. 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 5.0% at June 30, 2020. The undiscounted liability totaled approximately $2,055,000 at June 30, 2020. VIT expects to pay assessments annually through 2025. The balance at June 30, 2020 is classified as follows:

| | |
|---|---|
| Accrued U.S. Department of Labor assessment, current | $ 727,067 |
| Accrued U.S. Department of Labor assessment, noncurrent | 1,074,280 |
| **Total** | $ 1,801,347 |

## Note 13. Risk Management and Employee Health Care Plans

The Authority is exposed to various risks including, but not limited to, torts; theft; cybercrime; property damage (3rd and 1st party) or total loss to its assets; errors and omissions; non-performance of duty; work-related injuries to its employees; contractual disputes and labor strikes; and natural disasters. To assist the Authority in identifying, prioritizing and mitigating high risk exposures, the Authority has implemented an Enterprise Risk Management Program that is constantly monitoring high-level risks and mitigation strategies on a quarterly basis. In addition, the Authority maintains a robust insurance program which protects the Authority's assets, its commissioners, officers and employees against third-party liability. To that end, the Authority maintains insurance policies covering general liability, property damage, cyber liability, law enforcement liability, kidnap, ransom and extortion, international travel, automobile insurance; and fiduciary liability insurance through Virginia Association of Counties Group Self-Insurance Risk Pool commonly referred to as "VACORP." In addition to its primary layer of insurance, the Authority maintains excess liability insurance coverage. For the benefit of the Authority's employees, workers' compensation insurance and employers liability insurance, both state and federal, are provided by Signal Mutual and Arch Insurance, respectively. Health insurance is provided to the Authority's employees by Anthem Blue Cross/Blue Shield on a cost-sharing basis.

Through its operating agreement, the Authority requires VIT to maintain property insurance coverage on all plant and equipment located on the terminals.

The Authority maintains its own insurance coverage for health (for employees hired on or after July 1, 1997), property, auto, workers' compensation, and international liabilities, as well as an umbrella policy providing excess liability coverage over and above losses not covered in primary policies. The Authority is partially self-insured for employee health coverage. The Authority is responsible for actual claim costs up to $125,000 per individual for calendar year 2019 and $150,000 for calendar year 2020. The aggregate deductible for VIT and VPA combined claims in excess of the individual limit was $6,238,503 for calendar year 2020 and $6,358,209 for calendar year 2019.

### Blended Component Unit – VIT

VIT participates in a workers' compensation insurance pool. VIT remains obligated under its former self-insured plan for future losses as a result of accidents that occurred prior to April 12, 1999. VIT is partially self-insured for those workers' compensation claims and maintains insurance coverage of $5,000,000 per claim, but is obligated to pay the first $1,000,000 of any individual's claims per incident.

VIT offers health/medical insurance to its employees, and bears some self-insurance risk for claims cost in excess of employee premiums/contributions received. Pursuant to a joint arrangement with the VPA, the entity carries stop loss insurance to mitigate exposure to significant claims. The stop loss policy is on a calendar year basis, with renewals effective each January 1. During the calendar years of 2019 and 2020, the individual claim cost limit (deductible) under the policy for VIT was $125,000 and $150,000, respectively. The aggregate deductible for VIT and VPA combined claims in excess of the individual limit was $6,238,503 for calendar year 2020 and $6,358,209 for calendar year 2019.

## Note 14. Risks and Uncertainties

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate its spread have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Authority operates. The Authority has experienced a decline in container volumes and resulting operating cash flow. The Authority has responded with measures to reduce operating cost and preserve liquidity. The outcome of these measures is designed to preserve neutral operating cash flow. The ultimate extent and duration of the depressed operating environment has yet to be determined.

## Note 15. Related Parties

VIT makes lease payments on behalf of the VPA for various equipment and office space. Total payments on behalf of the VPA for these lease agreements were $877,077 for the year ended June 30, 2020.

On August 8, 2014, an agreement for shared services was executed between VPA and VIT, in an effort to centralize the administrative functions and avoid redundancy of costs. Services shared include accounting and finance, purchasing, risk management, innovation, human resources, and any other cost pool which may be developed for which a shared services allocation may be appropriate. Costs are billed by VPA to each entity based on a budgeted allocation with true up to actual expenditures on a quarterly but no less than annual frequency. The shared services agreement became effective on January 1, 2015. For the year ended June 30, 2020, VIT's allocated services from VPA were $17,169,446 and HRCP's were $2,484,468.

From time to time, related parties will extend short-term cash advances. Net advances are identified in the Statement of Cash Flows in the capital and related financing activities section as advances (to) from related parties. No interest is earned or charged on any advances, none were made during FY2020, and at June 30, 2020 there were no related-party advances outstanding between any of the port entities.

For the year ended June 30, 2020, VIT and subsidiaries recorded $133,890,229 as operating transfers payable to VPA pursuant to the Payment Agreement. The calculations are performed as of the end of the applicable month, and payment is made by the 20th of the subsequent month. VIT also collected and remitted to VPA $10,592,399 in security surcharges from VPA customers for the year ended June 30, 2020.

## Note 16. Restatement Resulting from the Adoption of GASB Statement No. 84

In accordance with the adoption of GASB Statement No. 84, *Fiduciary Activities*, the total beginning fiduciary net position balance has been restated.

The following table is a summary of the restatement to fiduciary net position as of July 1, 2019 as a result of the implementation of GASB Statement No. 84:

| | |
|---|---|
| Fiduciary Net Position: | |
| Balance at June 30, 2019, as previously reported | $ - |
| Change in accounting principle for the implementation of GASB Statement No. 84 | 117,484,020 |
| Balance at July 1, 2019, as restated | $ 117,484,020 |

## Note 17. Subsequent Event

On August, 4, 2020, Commonwealth Port Fund Revenue Refunding Bonds, Series 2020A (Taxable) dated the same, were issued in the amount of $77,845,000. The bonds are payable in annual principal installments varying from $295,000 to $11,655,000 beginning July 1, 2021 with semi-annual interest payments with rates ranging from 0.29% to 2.26% beginning January 1, 2021, the final installment due July 1, 2035. Proceeds of the bonds will be used (a) to pay the costs of refunding Commonwealth Port Fund Revenue Bonds, Series 2012C (Non-AMT) maturing in the years July 1, 2029 and 2030 and Commonwealth Port Fund Revenue Bonds, Series 2015 (AMT) maturing in the years July 1, 2028 through 2040, and (b) pay all or a portion of the expenses incurred with respect to the issuance of the bonds and the refunding of the refunded bonds.

On August, 4, 2020, Commonwealth Port Fund Revenue Refunding Bonds, Series 2020B (AMT) dated the same, were issued in the amount of $19,770,000. The bonds are payable in annual principal installments varying from $2,530,000 to $3,230,000 beginning July 1, 2023 with semi-annual interest payments with a rate of 5% beginning January 1, 2021, the final installment due July 1, 2029. Proceeds of the bonds will be used (a) to pay the costs of refunding Commonwealth Port Fund Revenue Bonds, Series 2012B (Taxable) maturing in the years July 1, 2023 and 2029, and (b) pay all or a portion of the expenses incurred with respect to the issuance of the bonds and the refunding of the refunded bonds.

# REQUIRED SUPPLEMENTARY INFORMATION
**(RSI)**
**(UNAUDITED)**

# VIRGINIA PORT AUTHORITY

## VPA DEFINED BENEFIT PLAN
## SCHEDULE OF EMPLOYER CONTRIBUTIONS

| | Fiscal Year Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Actuarially determined contribution | $ 874,897 | $ 1,772,010 | $ 1,377,935 | $ 1,323,815 | $ 1,515,194 | $ 1,443,356 |
| Contributions made in relation to the actuarially determined contribution | 900,882 | 3,850,943 | 2,377,935 | 1,323,815 | 1,515,194 | 2,120,000 |
| **Contribution deficiency (excess)** | $ (25,985) | $ (2,078,933) | $ (1,000,000) | $ - | $ - | $ (676,644) |
| Covered payroll | $ 5,707,279 | $ 10,235,375 | $ 9,763,381 | $ 9,728,655 | $ 9,631,353 | $ 9,529,167 |
| Contributions as a % of payroll | 15.78% | 37.62% | 24.36% | 13.61% | 15.73% | 22.25% |

**Notes to Schedule:**

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

(2) Methods and assumptions used to determine contribution rates for the measurement date June 30, 2019 (fiscal year ended June 30, 2020):

| | |
|---|---|
| Actuarial cost method | Individual Entry Age Normal cost method |
| Asset valuation method | Fair value |
| IRS limit increases | 2.5% |
| Projected salary increases | 3.5% |
| Investment rate of return | 7.0%, net of pension plan investment expense, including inflation |
| Retirement age | Varies by age and service |
| Mortality rates | Pub-2010 Mortality Table (Safety) With Scale MP-2019 |

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

## VPA DEFINED BENEFIT PLAN
## SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

| | Fiscal Year Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Total Pension Liability | | | | | | |
| Service cost | $ 387,024 | $ 487,324 | $ 593,878 | $ 618,438 | $ 611,654 | $ 593,351 |
| Interest | 971,904 | 1,019,065 | 1,414,344 | 1,413,784 | 1,564,406 | 1,748,077 |
| Changes of benefit terms | - | 4,876,711 | - | - | - | - |
| Differences between expected and actual experiences | 262,908 | (204,569) | (1,058,838) | 475,785 | 1,409,871 | 149,369 |
| Changes of assumptions | - | 1,124,233 | (214,977) | 414,287 | (68,254) | 683,127 |
| Benefit payments | (1,102,947) | (781,017) | (802,306) | (718,066) | (809,461) | (941,562) |
| **Net change in total pension liability** | 518,889 | 6,521,747 | (67,899) | 2,204,228 | 2,708,216 | 2,232,362 |
| Total Pension Liability, beginning | 12,964,772 | 13,483,661 | 20,005,408 | 19,937,509 | 22,141,737 | 24,849,953 |
| Total Pension Liability, ending (a) | $ 13,483,661 | $ 20,005,408 | $ 19,937,509 | $ 22,141,737 | $ 24,849,953 | $ 27,082,315 |
| Plan Fiduciary Net Position | | | | | | |
| Contributions - employer | $ 525,696 | $ 900,882 | $ 3,847,134 | $ 2,377,935 | $ 1,323,815 | $ 1,515,194 |
| Net investment income | 1,618,318 | 467,163 | (53,981) | 1,728,583 | 1,492,568 | 1,298,795 |
| Benefit payments, including refunds of member contributions | (1,102,947) | (781,017) | (802,306) | (718,066) | (809,461) | (941,562) |
| Administrative expense | (111,083) | (116,756) | (95,257) | (57,183) | (30,441) | (33,095) |
| **Net change in plan fiduciary net position** | 929,984 | 470,272 | 2,895,590 | 3,331,269 | 1,976,481 | 1,839,332 |
| Plan Fiduciary Net Position, beginning | 9,255,470 | 10,185,454 | 10,655,726 | 13,551,316 | 16,882,585 | 18,859,066 |
| Plan Fiduciary Net Position, ending (b) | $ 10,185,454 | $ 10,655,726 | $ 13,551,316 | $ 16,882,585 | $ 18,859,066 | $ 20,698,398 |
| Net Pension Liability, ending (a) - (b) | $ 3,298,207 | $ 9,349,682 | $ 6,386,193 | $ 5,259,152 | $ 5,990,887 | $ 6,383,917 |
| Net Position as a % of Pension Liability | 75.54% | 53.26% | 67.97% | 76.25% | 75.89% | 76.43% |
| Covered Payroll | $ 5,707,279 | $ 10,235,375 | $ 9,763,381 | $ 9,728,655 | $ 9,631,353 | $ 9,529,167 |
| Net Pension Liability as a % of Payroll | 57.79% | 91.35% | 65.41% | 54.06% | 62.20% | 66.99% |

**Notes to Schedule:**

(1) **Changes of benefit terms:** There have been no significant changes to the pension benefit provisions since the effective date of GASB Statement No. 68.

(2) **Changes in assumptions:** There have been changes to the mortality rates.
Mortality rates Pub-2010 Mortality Table (Safety) With Scale MP-2019

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

(4) For each of the fiscal years presented above, the measurement date for the reported data was June 30 of the preceding fiscal year. For example, for the fiscal year June 30, 2020 the measurement date was June 30, 2019.

## VIRGINIA PORT AUTHORITY

## BLENDED COMPONENT UNIT – VIRGINIA INTERNATIONAL TERMINALS, LLC
## DEFINED BENEFIT PLAN
## SCHEDULE OF EMPLOYER CONTRIBUTIONS

| | Fiscal Year Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Actuarially determined contribution | $ 3,072,285 | $ 2,745,069 | $ 2,277,104 | $ 2,411,564 | $ 4,204,954 | $ 5,868,369 |
| Contributions made in relation to the actuarially determined contribution | 2,157,789 | 722,211 | 1,749,973 | 2,427,553 | 4,666,517 | 7,031,866 |
| **Contribution deficiency (excess)** | $ 914,496 | $ 2,022,858 | $ 527,131 | $ (15,989) | $ (461,563) | $ (1,163,497) |
| Covered payroll | $ 23,660,725 | $ 17,885,926 | $ 17,178,148 | $ 17,110,666 | $ 16,656,542 | $ 11,914,408 |
| Contributions as a % of payroll | 9.12% | 4.04% | 10.19% | 14.19% | 28.02% | 59.02% |

**Notes to Schedule:**

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

(2) Methods and assumptions used to determine contribution rates for the measurement date June 30, 2019 (fiscal year ended June 30, 2020):

| | |
|---|---|
| Actuarial cost method | Individual Entry Age Normal cost method level percent of pay |
| Amortization method | Level percentage of payroll, closed |
| Remaining amortization | 30 years |
| Asset valuation method | Fair value |
| Inflation | 2.0% |
| Projected salary increases | 3.5% |
| Investment rate of return | 7.0% |
| Retirement age | 65 |
| Mortality rates | Pub-2010 Mortality Table (Safety) With Scale MP-2019 |

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

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

(5) Contributions made by VIT were not in all cases in accordance with the actuarially determined Annual Required Contribution (ARC), but they did meet statutory requirements.

# VIRGINIA PORT AUTHORITY

## BLENDED COMPONENT UNIT – VIRGINIA INTERNATIONAL TERMINALS, LLC
## DEFINED BENEFIT PLAN
## SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

| | Fiscal Year Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Total Pension Liability | | | | | | |
| Service cost | $ 1,351,708 | $ 1,193,213 | $ 1,104,372 | $ 1,082,156 | $ 1,135,258 | $ 900,897 |
| Interest | 6,876,416 | 7,024,100 | 6,538,633 | 6,672,598 | 6,932,889 | 7,197,527 |
| Changes of benefit terms | - | (4,941,352) | - | - | - | - |
| Differences between expected and actual experiences | (1,829,899) | (3,625,271) | (759,936) | 363,493 | (297,141) | (2,518,409) |
| Changes of assumptions | - | 3,429,692 | (1,148,235) | 70,113 | 934,670 | 1,349,356 |
| Benefit payments, including refunds of employee contributions | (4,000,317) | (3,269,754) | (4,417,218) | (4,479,220) | (4,566,807) | (4,814,735) |
| **Net change in total pension liability** | 2,397,908 | (189,372) | 1,317,616 | 3,709,140 | 4,138,869 | 2,114,636 |
| Total Pension Liability, beginning | 92,954,125 | 95,352,033 | 95,162,661 | 96,480,277 | 100,189,417 | 104,328,286 |
| Total Pension Liability, ending (a) | $ 95,352,033 | $ 95,162,661 | $ 96,480,277 | $ 100,189,417 | $ 104,328,286 | $ 106,442,922 |
| Plan Fiduciary Net Position | | | | | | |
| Contributions - employer | $ 1,860,000 | $ 2,880,000 | $ 1,464,372 | $ 2,427,553 | $ 4,666,517 | $ 7,031,866 |
| Net investment income (loss) | 6,207,582 | 1,971,743 | (321,606) | 8,461,795 | 5,652,665 | 7,073,580 |
| Benefit payments, including refunds of member contributions | (4,000,317) | (3,269,754) | (4,417,218) | (4,479,220) | (4,566,807) | (4,814,735) |
| Administrative expense | - | - | - | (37,248) | (149,665) | (550,239) |
| **Net change in plan fiduciary net position** | 4,067,265 | 1,581,989 | (3,274,452) | 6,372,880 | 5,602,710 | 8,740,472 |
| Plan Fiduciary Net Position, beginning | 80,640,693 | 84,707,958 | 86,289,947 | 83,015,495 | 89,388,375 | 94,991,085 |
| Plan Fiduciary Net Position, ending (b) | $ 84,707,958 | $ 86,289,947 | $ 83,015,495 | $ 89,388,375 | $ 94,991,085 | $ 103,731,557 |
| Net Pension Liability, ending (a) - (b) | $ 10,644,075 | $ 8,872,714 | $ 13,464,782 | $ 10,801,042 | $ 9,337,201 | $ 2,711,365 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 88.84% | 90.68% | 86.04% | 89.22% | 91.05% | 97.45% |
| Covered Payroll | $ 23,660,725 | $ 17,885,926 | $ 17,178,148 | $ 17,110,666 | $ 16,656,542 | $ 11,914,408 |
| Net Pension Liability as a % of Covered Payroll | 44.99% | 49.61% | 78.38% | 63.12% | 56.06% | 22.76% |

**Note to Schedule:**

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

(2) For each of the fiscal years presented above, the measurement date for the reported data was June 30 of the preceding fiscal year. For example, for the fiscal year June 30, 2020 the measurement date was June 30, 2019.

## BLENDED COMPONENT UNIT – VIRGINIA INTERNATIONAL TERMINALS, LLC SCHEDULE OF CHANGES IN THE TOTAL OTHER POSTEMPLOYMENT BENEFITS LIABILITY AND RELATED RATIOS

| | Fiscal Year Ended June 30, 2018 | 2019 | 2020 |
|---|---|---|---|
| Total OPEB Liability | | | |
| Service cost | $ 20,714 | $ 21,975 | $ 17,004 |
| Interest | 39,418 | 39,897 | 20,745 |
| Differences between expected and actual experiences | (649) | (428,448) | - |
| Changes of assumptions | (43,279) | 34,989 | - |
| Benefit payments | - | (88,498) | (52,094) |
| **Net change in total OPEB liability** | 16,204 | (420,085) | (14,345) |
| Total OPEB Liability, beginning | 1,314,879 | 1,331,083 | 910,998 |
| Total OPEB Liability, ending | $ 1,331,083 | $ 910,998 | $ 896,653 |
| Covered Payroll | $ 7,956,518 | $ 7,467,816 | $ 5,963,030 |
| Total OPEB Liability as a Percentage of Covered Payroll | 16.73% | 12.20% | 15.04% |

**Notes to Schedule:**

(1) **Changes of benefit terms:** There have been no changes to the benefit terms since the prior actuarial valuation.

(2) **Changes of assumptions:** Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following is the discount rate used for the period presented:

| | |
|---|---|
| 2018 | 3.0% |
| 2019 | 2.3% |
| 2020 | 2.3% |

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


# STATISTICAL SECTION

**VIRGINIA PORT AUTHORITY**

**STATISTICAL SECTION**
***(Unaudited)***

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

**Financial Trends**

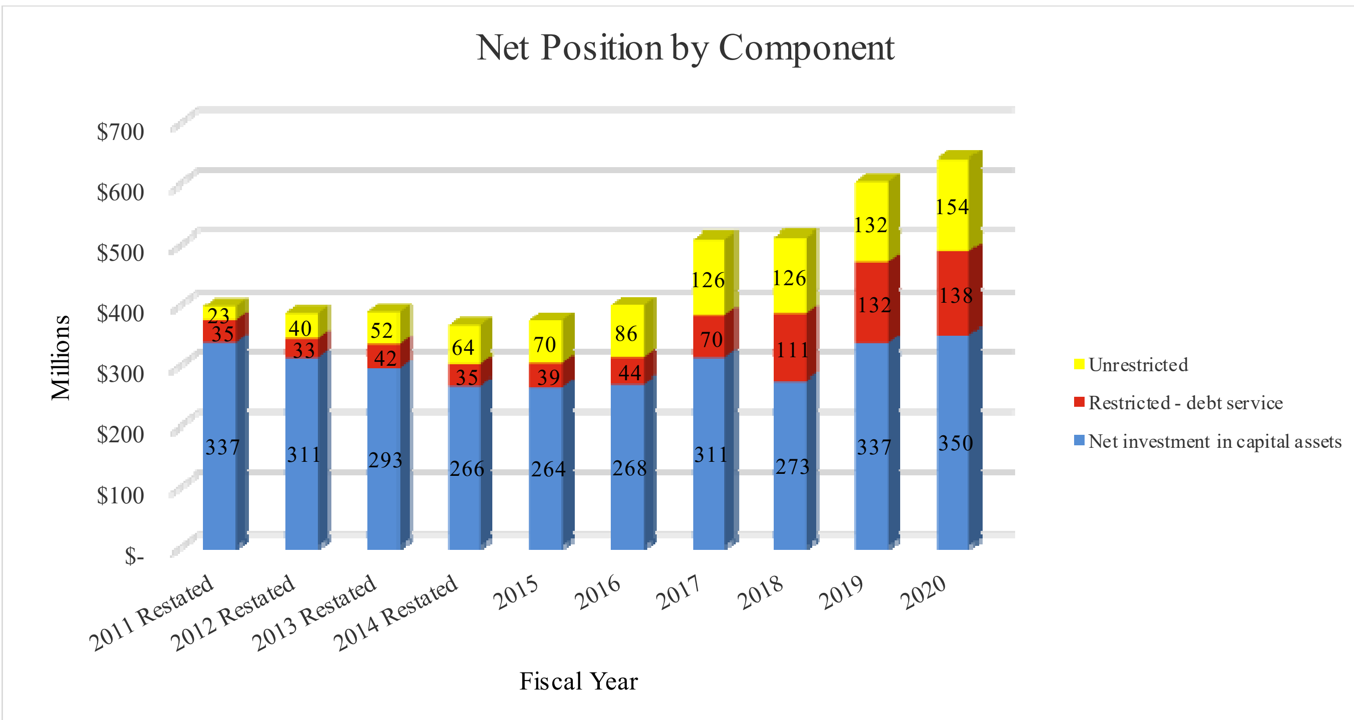
These schedules and graphs contain trend data about how the financial performance and condition of the Authority has changed over time.

# VIRGINIA PORT AUTHORITY

## NET POSITION BY COMPONENT
### Last Ten Fiscal Years

| | Fiscal Year June 30, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2011 Restated | 2012 Restated | 2013 Restated | 2014 Restated | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Net Position | | | | | | | | | | |
| Net investment in capital assets | $ 337,480,194 | $ 311,346,910 | $ 293,397,720 | $ 265,717,230 | $ 263,651,206 | $ 268,348,384 | $ 311,479,560 | $ 273,121,342 | $ 336,718,537 | $ 349,643,679 |
| Restricted - debt service | 35,478,707 | 33,081,525 | 41,833,813 | 34,823,401 | 38,581,530 | 44,017,978 | 69,531,520 | 111,171,674 | 132,383,445 | 138,301,604 |
| Unrestricted | 23,416,417 | 39,831,818 | 51,568,748 | 63,855,747 | 70,270,230 | 86,251,930 | 126,102,161 | 126,089,039 | 131,911,397 | 153,760,268 |
| **Total net position** | $ 396,375,318 | $ 384,260,253 | $ 386,800,281 | $ 364,396,378 | $ 372,502,966 | $ 398,618,292 | $ 507,113,241 | $ 510,382,055 | $ 601,013,379 | $ 641,705,551 |

Net Position amounts have been restated to reflect the implementation of GASB Statement No. 68, the restatement of prior years due to the capture of interest costs into capital assets and to conform to current year presentation.



## VIRGINIA PORT AUTHORITY

## HISTORICAL STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
### Fiscal Years 2011 through 2020

| | Fiscal Year June 30, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2011 Restated | 2012 Restated | 2013 Restated | 2014 Restated | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Operating revenues: | | | | | | | | | | |
| Operating revenues from component unit | $ 81,348,960 | $ 88,458,998 | $ 90,272,604 | $ 75,058,836 | $ 94,845,407 | $ 108,847,183 | $ 120,512,239 | $ 123,982,416 | $ 156,859,006 | $ 133,890,229 |
| Other revenues | 3,596,326 | 6,283,332 | 7,970,579 | 5,192,084 | 9,147,626 | 9,339,787 | 10,102,177 | 10,444,816 | 11,186,158 | 10,946,317 |
| Operating revenues - grants | 6,274,000 | 6,519,292 | 4,903,439 | 7,762,729 | 5,295,084 | 6,390,908 | 2,113,617 | 5,534,057 | 5,198,170 | 5,704,423 |
| **Total operating revenues** | 91,219,286 | 101,261,622 | 103,146,622 | 88,013,649 | 109,288,117 | 124,577,878 | 132,728,033 | 139,961,289 | 173,243,334 | 150,540,969 |
| Operating expenses: | | | | | | | | | | |
| Terminal operations | 1,995,005 | 2,068,666 | 2,128,546 | 1,309,688 | 5,696,445 | 5,438,202 | 4,078,716 | 3,912,388 | 4,169,632 | 4,553,752 |
| Terminal maintenance | 7,962,089 | 10,492,515 | 8,731,182 | 8,324,365 | 2,409,614 | 3,742,873 | 2,052,612 | 3,878,667 | 2,441,104 | 3,494,678 |
| General and administrative | 22,600,035 | 22,089,260 | 18,577,038 | 26,205,663 | 19,339,042 | 20,041,975 | 18,024,873 | 20,339,423 | 22,039,448 | 25,818,916 |
| Facility rental | 29,740,480 | 37,063,827 | 47,229,466 | 52,479,613 | 55,679,447 | 55,618,729 | 17,429,000 | 396,370 | 1,451,058 | 1,681,651 |
| Depreciation and amortization | 46,135,517 | 44,840,342 | 44,095,008 | 43,084,669 | 42,608,659 | 44,018,111 | 70,124,183 | 79,097,839 | 79,673,359 | 96,402,812 |
| **Total operating expenses** | 108,433,126 | 116,554,610 | 120,761,240 | 131,403,998 | 125,733,207 | 128,859,890 | 111,709,384 | 107,624,687 | 109,774,601 | 131,951,809 |
| **Operating income (loss)** | (17,213,840) | (15,292,988) | (17,614,618) | (43,390,349) | (16,445,090) | (4,282,012) | 21,018,649 | 32,336,602 | 63,468,733 | 18,589,160 |
| Non-operating revenues (expenses): | | | | | | | | | | |
| Interest income | 697,221 | 636,920 | 482,181 | 330,581 | 441,454 | 652,550 | 895,675 | 1,368,375 | 3,983,383 | 5,829,248 |
| Interest expense, net of capitalized interest | (18,984,951) | (23,070,737) | (20,531,918) | (16,888,384) | (14,198,070) | (18,383,892) | (88,211,549) | (125,344,867) | (123,706,715) | (125,263,781) |
| Bond issue costs | (538,986) | (734,427) | (917,063) | (69,000) | (1,031,774) | (489,036) | (2,749,482) | (112,864) | (448,452) | (40,658) |
| Commonwealth Rail Relocation income (& ARRA) | 2,014,416 | 6,375,798 | 244,424 | - | - | - | - | - | - | - |
| Commonwealth Rail Relocation expenses | (2,272,191) | (6,296,498) | (394,990) | (133,770) | (2,730) | - | - | - | - | - |
| Revenues from federal government | 12,588,643 | 4,612,432 | 3,471,137 | 626,643 | 709,511 | 9,653,436 | 11,988,133 | 785,515 | 7,489,797 | 3,152,063 |
| Revenues (expenses) Commonwealth | (261,468) | (297,267) | (158,628) | 306,335 | - | - | - | - | 3,345,006 | 2,725,029 |
| Revenues (expenses) other state proceeds, net | - | - | - | - | - | 6,142,660 | 6,791,349 | 3,265,330 | - | - |
| Other income (expenses) | 8,996 | 8,722 | - | - | 404,983 | (2,802,901) | (2,227,563) | (2,373,008) | (3,216,848) | (3,376,631) |
| Gain (loss) on disposals | 88,879 | (15,266,083) | 708,585 | 2,652 | - | (1,107,131) | (20,574) | (1,768,892) | 744,338 | 225,163 |
| **Income (loss) before capital contributions and transfers** | (23,873,281) | (49,324,128) | (34,710,890) | (59,215,292) | (30,121,716) | (10,616,326) | (52,515,362) | (91,843,809) | (48,340,758) | (98,160,407) |
| Capital contributions and transfers: | | | | | | | | | | |
| Commonwealth Port Fund allocation | 34,717,391 | 36,252,985 | 37,223,718 | 36,652,218 | 38,418,111 | 42,366,884 | 41,469,200 | 41,126,101 | 43,051,489 | 41,922,273 |
| Capital contributions (to) from component unit | 1,068,266 | 956,079 | 27,200 | 159,171 | (189,807) | (287,700) | 22,447,458 | 710,212 | 1,488,664 | 283,513 |
| Payments to federal government - channel dredging | - | - | - | - | - | (5,500,393) | (844,504) | (984,275) | (3,223,890) | (17,402,176) |
| Capital contributions (to) from other state agencies | - | - | - | - | - | 152,861 | - | - | - | - |
| Proceeds (to) from primary government | - | - | - | - | - | - | 84,661,132 | 54,260,585 | 97,655,819 | 114,048,969 |
| **Increase (decrease) in net position** | 11,912,376 | (12,115,064) | 2,540,028 | (22,403,903) | 8,106,588 | 26,115,326 | 95,217,924 | 3,268,814 | 90,631,324 | 40,692,172 |
| Special item - lease conversion | - | - | - | - | - | - | 13,277,025 | - | - | - |
| **Increase (decrease) in net position after special item** | 11,912,376 | (12,115,064) | 2,540,028 | (22,403,903) | 8,106,588 | 26,115,326 | 108,494,949 | 3,268,814 | 90,631,324 | 40,692,172 |
| Net position - beginning of year | 384,462,942 | 396,375,318 | 384,260,253 | 386,800,281 | 364,396,378 | 372,502,966 | 398,618,292 | 507,113,241 | 510,382,055 | 601,013,379 |
| Net position - end of year | $ 396,375,318 | $ 384,260,253 | $ 386,800,281 | $ 364,396,378 | $ 372,502,966 | $ 398,618,292 | $ 507,113,241 | $ 510,382,055 | $ 601,013,379 | $ 641,705,551 |

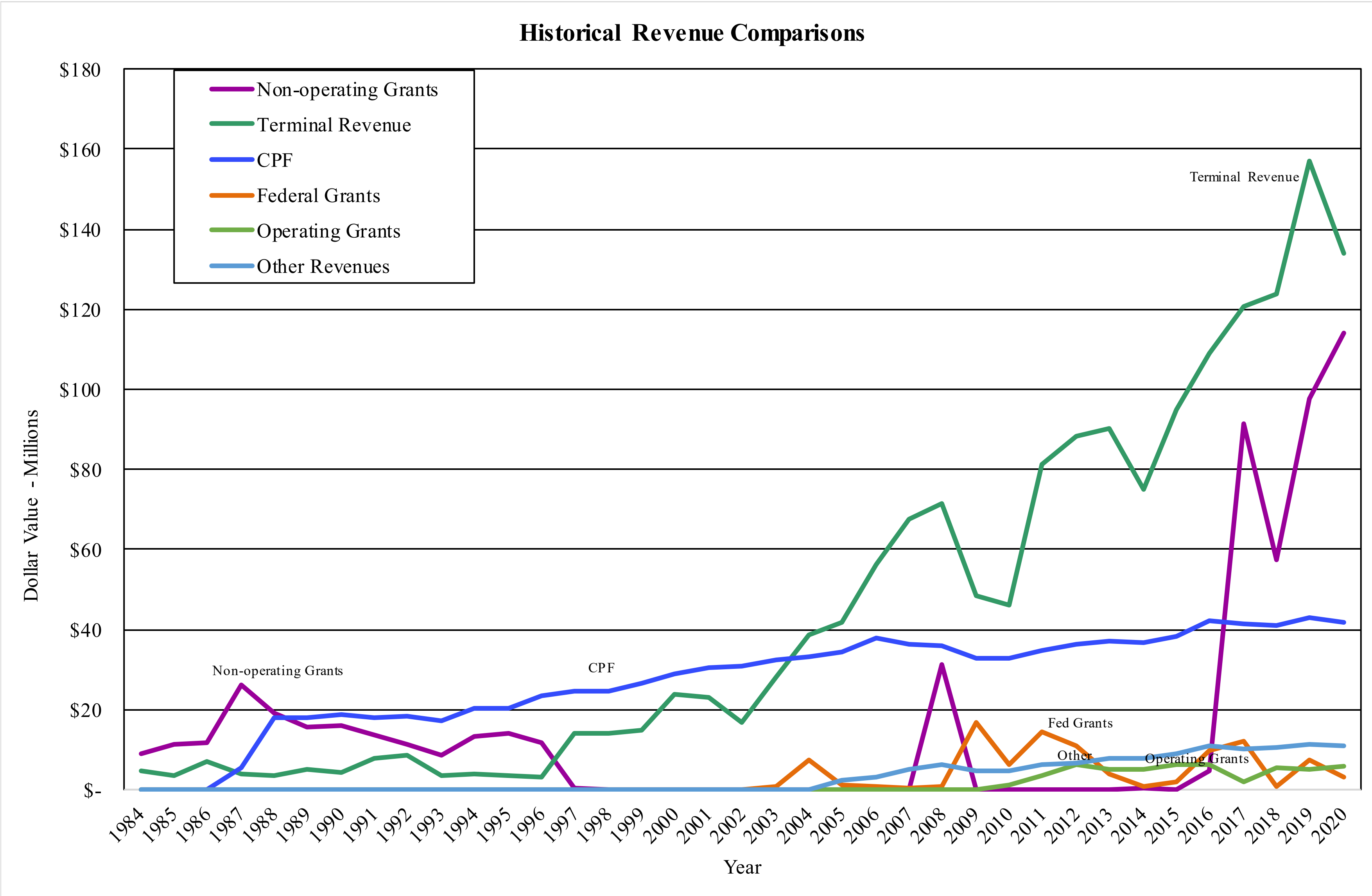
Note certain prior year amounts have been reclassified to conform to the presentation depicted in the financial statements presented herein.
The presentation has also been restated for the implementation of GASB 68 and the effect of the prior period adjustment for capitalized interest.

## HISTORICAL REVENUE COMPARISONS

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

**VIRGINIA PORT AUTHORITY**

**HISTORICAL REVENUE COMPARISONS**

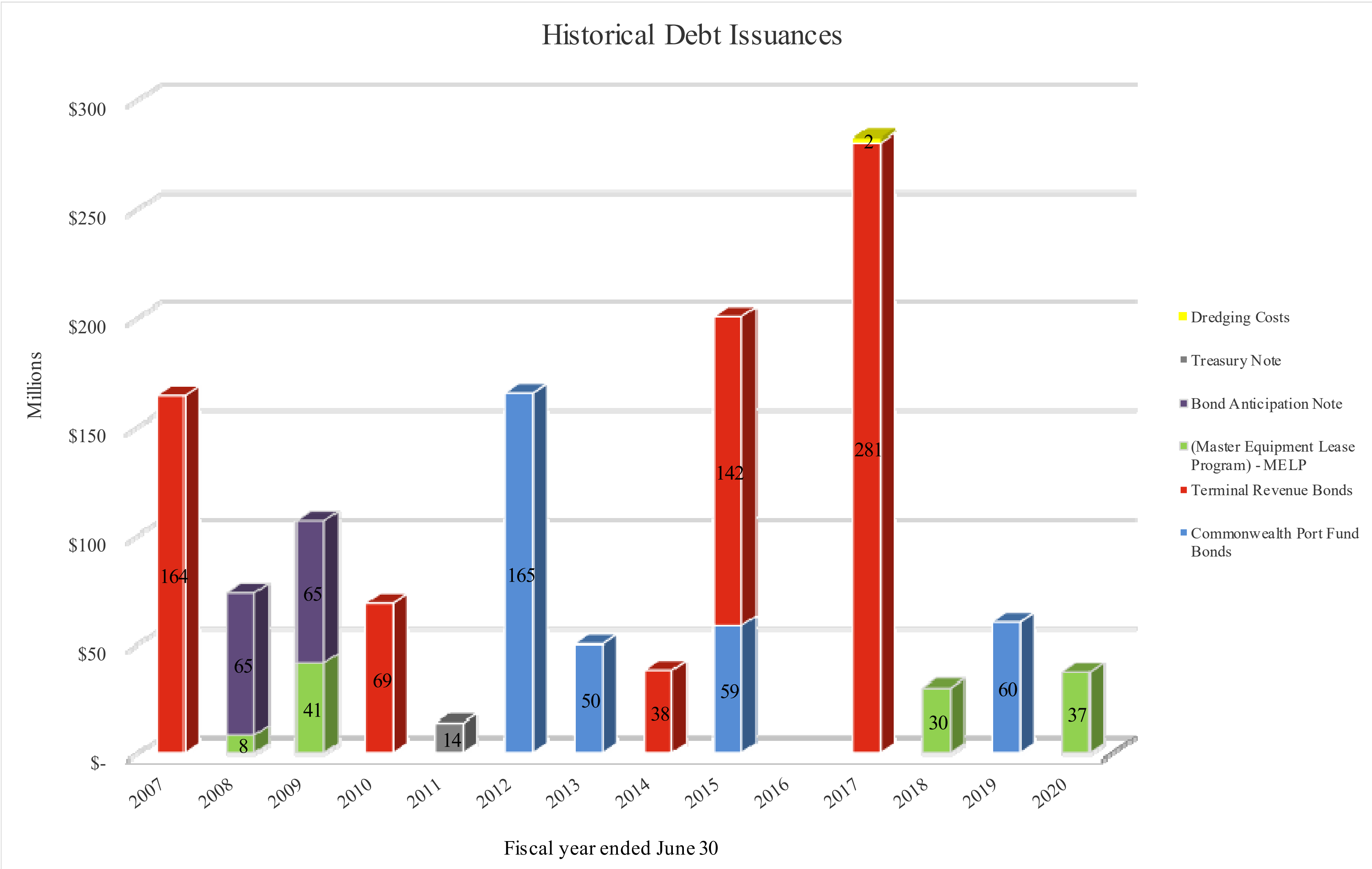


# <u>DEBT CAPACITY</u>

These schedules present information about the Authority's debt requirements and ability to pay debt service.

**VIRGINIA PORT AUTHORITY**

**HISTORICAL DEBT ISSUANCES**
***(Par Value – USD Millions)***



# VIRGINIA PORT AUTHORITY
# COMMONWEALTH PORT FUND (CPF) REVENUE BONDS[1]
# DEBT SERVICE PAYMENT REQUIREMENTS

| Fiscal Year Ending June 30, | Issued 1/25/2012 Series 2012 | | | Issued 9/26/2012 Series 2012-B | | | Issued 9/26/2012 Series 2012-C | | | Issued 6/23/2015 Series 2015 | | | Issued 7/26/2018 Series 2018 | | | Total Bonds Debt Service |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Principal | Interest | Debt Service | Principal | Interest | Debt Service | Principal | Interest | Debt Service | Principal | Interest | Debt Service | Principal | Interest | Debt Service | |
| 2021 | $ 7,005,000 | $ 1,959,731 | $ 8,964,731 | $ 2,900,000 | $ 931,722 | $ 3,831,722 | $ - | $ 224,150 | $ 224,150 | $ - | $ 2,934,000 | $ 2,934,000 | $ 220,000 | $ 2,280,367 | $ 2,500,367 | $ 18,454,970 |
| 2022 | 7,190,000 | 1,759,489 | 8,949,489 | 2,970,000 | 865,796 | 3,835,796 | - | 224,150 | 224,150 | - | 2,934,000 | 2,934,000 | 225,000 | 2,274,046 | 2,499,046 | 18,442,481 |
| 2023 | 7,405,000 | 1,540,848 | 8,945,848 | 3,035,000 | 792,352 | 3,827,352 | - | 224,150 | 224,150 | - | 2,934,000 | 2,934,000 | 235,000 | 2,267,259 | 2,502,259 | 18,433,609 |
| 2024 | 7,625,000 | 1,304,419 | 8,929,419 | 3,115,000 | 710,979 | 3,825,979 | - | 224,150 | 224,150 | - | 2,934,000 | 2,934,000 | 240,000 | 2,260,014 | 2,500,014 | 18,413,562 |
| 2025 | 7,875,000 | 1,048,963 | 8,923,963 | 3,200,000 | 621,105 | 3,821,105 | - | 224,150 | 224,150 | - | 2,934,000 | 2,934,000 | 250,000 | 2,252,294 | 2,502,294 | 18,405,512 |
| 2026 | 8,140,000 | 773,005 | 8,913,005 | 3,295,000 | 521,348 | 3,816,348 | - | 224,150 | 224,150 | - | 2,934,000 | 2,934,000 | 255,000 | 2,244,086 | 2,499,086 | 18,386,589 |
| 2027 | 8,425,000 | 477,249 | 8,902,249 | 3,400,000 | 412,695 | 3,812,695 | - | 224,150 | 224,150 | - | 2,934,000 | 2,934,000 | 265,000 | 2,235,374 | 2,500,374 | 18,373,468 |
| 2028 | 8,730,000 | 162,378 | 8,892,378 | 3,510,000 | 297,098 | 3,807,098 | - | 224,150 | 224,150 | - | 2,934,000 | 2,934,000 | 275,000 | 2,226,125 | 2,501,125 | 18,358,751 |
| 2029 | - | - | - | 3,630,000 | 172,611 | 3,802,611 | - | 224,150 | 224,150 | 6,250,000 | 2,777,750 | 9,027,750 | 2,845,000 | 2,171,352 | 5,016,352 | 18,070,863 |
| 2030 | - | - | - | 2,930,000 | 53,854 | 2,983,854 | 780,000 | 212,450 | 992,450 | 6,620,000 | 2,456,000 | 9,076,000 | 2,945,000 | 2,068,062 | 5,013,062 | 18,065,366 |
| 2031 | - | - | - | - | - | - | 4,015,000 | 100,375 | 4,115,375 | 6,780,000 | 2,121,000 | 8,901,000 | 3,045,000 | 1,958,515 | 5,003,515 | 18,019,890 |
| 2032 | - | - | - | - | - | - | - | - | - | 7,050,000 | 1,775,250 | 8,825,250 | 7,445,000 | 1,762,746 | 9,207,746 | 18,032,996 |
| 2033 | - | - | - | - | - | - | - | - | - | - | 1,599,000 | 1,599,000 | 7,725,000 | 1,476,605 | 9,201,605 | 10,800,605 |
| 2034 | - | - | - | - | - | - | - | - | - | - | 1,599,000 | 1,599,000 | 8,015,000 | 1,175,778 | 9,190,778 | 10,789,778 |
| 2035 | - | - | - | - | - | - | - | - | - | - | 1,599,000 | 1,599,000 | 8,325,000 | 859,396 | 9,184,396 | 10,783,396 |
| 2036 | - | - | - | - | - | - | - | - | - | - | 1,599,000 | 1,599,000 | 8,650,000 | 526,913 | 9,176,913 | 10,775,913 |
| 2037 | - | - | - | - | - | - | - | - | - | - | 1,599,000 | 1,599,000 | 8,990,000 | 178,317 | 9,168,317 | 10,767,317 |
| 2038 | - | - | - | - | - | - | - | - | - | 7,420,000 | 1,413,500 | 8,833,500 | - | - | - | 8,833,500 |
| 2039 | - | - | - | - | - | - | - | - | - | 7,790,000 | 1,033,250 | 8,823,250 | - | - | - | 8,823,250 |
| 2040 | - | - | - | - | - | - | - | - | - | 8,180,000 | 634,000 | 8,814,000 | - | - | - | 8,814,000 |
| 2041 | - | - | - | - | - | - | - | - | - | 8,590,000 | 214,750 | 8,804,750 | - | - | - | 8,804,750 |
| | $ 62,395,000 | $ 9,026,082 | $ 71,421,082 | $ 31,985,000 | $ 5,379,560 | $ 37,364,560 | $ 4,795,000 | $ 2,330,175 | $ 7,125,175 | $ 58,680,000 | $ 43,892,500 | $ 102,572,500 | $ 59,950,000 | $ 30,217,249 | $ 90,167,249 | $ 308,650,566 |
| | | | 7/1/2027 Maturity | | | 7/1/2029 Maturity | | | 7/1/2030 Maturity | | | 7/1/2040 Maturity | | | 7/1/2036 Maturity | |

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

## VIRGINIA PORT AUTHORITY

## PORT FACILITIES REVENUE BONDS[1]
## DEBT SERVICE PAYMENT REQUIREMENTS

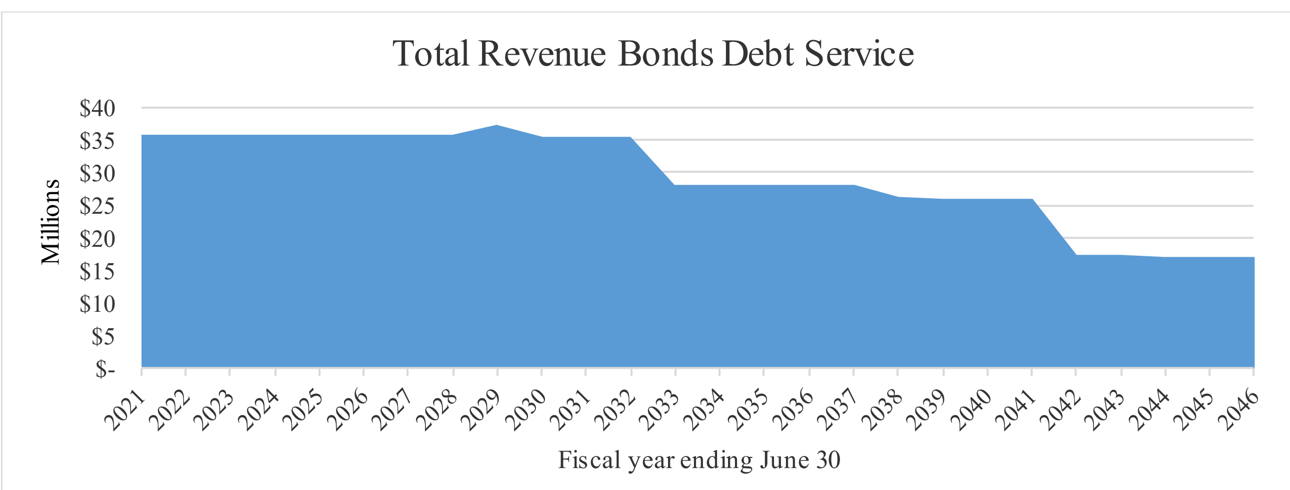
| Fiscal Year Ending June 30, | Series 2016A Bonds Principal | Series 2016A Bonds Interest | Series 2016A Bonds Debt Service | Series 2016B Bonds Principal | Series 2016B Bonds Interest | Series 2016B Bonds Debt Service | Series 2016C Bonds Principal | Series 2016C Bonds Interest | Series 2016C Bonds Debt Service | Total Bonds Debt Service |
|---|---|---|---|---|---|---|---|---|---|---|
| 2021 | $ 1,600,000 | $ 5,808,554 | $ 7,408,554 | $ 2,000,000 | $ 4,725,500 | $ 6,725,500 | $ 2,340,000 | $ 957,582 | $ 3,297,582 | $ 17,431,636 |
| 2022 | 1,630,000 | 5,775,983 | 7,405,983 | 2,105,000 | 4,622,875 | 6,727,875 | 2,415,000 | 880,551 | 3,295,551 | 17,429,409 |
| 2023 | 1,670,000 | 5,738,687 | 7,408,687 | 2,205,000 | 4,515,125 | 6,720,125 | 2,490,000 | 801,090 | 3,291,090 | 17,419,902 |
| 2024 | 1,715,000 | 5,696,081 | 7,411,081 | 2,315,000 | 4,402,125 | 6,717,125 | 2,565,000 | 719,199 | 3,284,199 | 17,412,405 |
| 2025 | 1,765,000 | 5,649,080 | 7,414,080 | 2,430,000 | 4,283,500 | 6,713,500 | 2,645,000 | 634,797 | 3,279,797 | 17,407,377 |
| 2026 | 1,815,000 | 5,598,339 | 7,413,339 | 2,555,000 | 4,158,875 | 6,713,875 | 2,725,000 | 547,803 | 3,272,803 | 17,400,017 |
| 2027 | 1,880,000 | 5,544,117 | 7,424,117 | 2,680,000 | 4,028,000 | 6,708,000 | 2,805,000 | 458,217 | 3,263,217 | 17,395,334 |
| 2028 | 1,930,000 | 5,485,342 | 7,415,342 | 2,815,000 | 3,890,625 | 6,705,625 | 2,900,000 | 365,796 | 3,265,796 | 17,386,763 |
| 2029 | - | 5,454,616 | 5,454,616 | - | 3,820,250 | 3,820,250 | 9,840,000 | 159,408 | 9,999,408 | 19,274,274 |
| 2030 | 5,305,000 | 5,361,938 | 10,666,938 | 2,955,000 | 3,746,375 | 6,701,375 | - | - | - | 17,368,313 |
| 2031 | 5,490,000 | 5,170,604 | 10,660,604 | 3,105,000 | 3,594,875 | 6,699,875 | - | - | - | 17,360,479 |
| 2032 | 5,685,000 | 4,966,947 | 10,651,947 | 3,260,000 | 3,435,750 | 6,695,750 | - | - | - | 17,347,697 |
| 2033 | 5,895,000 | 4,737,324 | 10,632,324 | 3,425,000 | 3,268,625 | 6,693,625 | - | - | - | 17,325,949 |
| 2034 | 6,145,000 | 4,482,799 | 10,627,799 | 3,595,000 | 3,093,125 | 6,688,125 | - | - | - | 17,315,924 |
| 2035 | 6,405,000 | 4,217,492 | 10,622,492 | 3,775,000 | 2,908,875 | 6,683,875 | - | - | - | 17,306,367 |
| 2036 | 6,675,000 | 3,940,981 | 10,615,981 | 3,965,000 | 2,715,375 | 6,680,375 | - | - | - | 17,296,356 |
| 2037 | 6,960,000 | 3,652,737 | 10,612,737 | 4,160,000 | 2,512,250 | 6,672,250 | - | - | - | 17,284,987 |
| 2038 | 7,255,000 | 3,343,163 | 10,598,163 | 4,365,000 | 2,299,125 | 6,664,125 | - | - | - | 17,262,288 |
| 2039 | 7,580,000 | 3,011,007 | 10,591,007 | 4,585,000 | 2,075,375 | 6,660,375 | - | - | - | 17,251,382 |
| 2040 | 7,920,000 | 2,663,962 | 10,583,962 | 4,815,000 | 1,840,375 | 6,655,375 | - | - | - | 17,239,337 |
| 2041 | 8,270,000 | 2,301,468 | 10,571,468 | 5,060,000 | 1,593,500 | 6,653,500 | - | - | - | 17,224,968 |
| 2042 | 8,640,000 | 1,922,853 | 10,562,853 | 5,310,000 | 1,334,250 | 6,644,250 | - | - | - | 17,207,103 |
| 2043 | 9,030,000 | 1,527,222 | 10,557,222 | 5,575,000 | 1,062,125 | 6,637,125 | - | - | - | 17,194,347 |
| 2044 | 9,435,000 | 1,113,791 | 10,548,791 | 5,855,000 | 776,375 | 6,631,375 | - | - | - | 17,180,166 |
| 2045 | 9,855,000 | 681,887 | 10,536,887 | 6,150,000 | 476,250 | 6,626,250 | - | - | - | 17,163,137 |
| 2046 | 10,300,000 | 230,617 | 10,530,617 | 6,450,000 | 161,245 | 6,611,245 | - | - | - | 17,141,862 |
| | $ 140,850,000 | $ 104,077,591 | $ 244,927,591 | $ 95,510,000 | $ 75,340,745 | $ 170,850,745 | $ 30,725,000 | $ 5,524,443 | $ 36,249,443 | $ 452,027,779 |

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

**VIRGINIA PORT AUTHORITY**

**DEBT SERVICE PAYMENT REQUIREMENTS**

| Fiscal Year Ending June 30, | Commonwealth Port Fund Revenue Bonds Debt Service | Port Facilities Revenue Bonds Debt Service | Total Revenue Bonds Debt Service |
|---|---|---|---|
| 2021 | $ 18,454,970 | $ 17,431,636 | $ 35,886,606 |
| 2022 | 18,442,481 | 17,429,409 | 35,871,890 |
| 2023 | 18,433,609 | 17,419,902 | 35,853,511 |
| 2024 | 18,413,562 | 17,412,405 | 35,825,967 |
| 2025 | 18,405,512 | 17,407,377 | 35,812,889 |
| 2026 | 18,386,589 | 17,400,017 | 35,786,606 |
| 2027 | 18,373,468 | 17,395,334 | 35,768,802 |
| 2028 | 18,358,751 | 17,386,763 | 35,745,514 |
| 2029 | 18,070,863 | 19,274,274 | 37,345,137 |
| 2030 | 18,065,366 | 17,368,313 | 35,433,679 |
| 2031 | 18,019,890 | 17,360,479 | 35,380,369 |
| 2032 | 18,032,996 | 17,347,697 | 35,380,693 |
| 2033 | 10,800,605 | 17,325,949 | 28,126,554 |
| 2034 | 10,789,778 | 17,315,924 | 28,105,702 |
| 2035 | 10,783,396 | 17,306,367 | 28,089,763 |
| 2036 | 10,775,913 | 17,296,356 | 28,072,269 |
| 2037 | 10,767,317 | 17,284,987 | 28,052,304 |
| 2038 | 8,833,500 | 17,262,288 | 26,095,788 |
| 2039 | 8,823,250 | 17,251,382 | 26,074,632 |
| 2040 | 8,814,000 | 17,239,337 | 26,053,337 |
| 2041 | 8,804,750 | 17,224,968 | 26,029,718 |
| 2042 | - | 17,207,103 | 17,207,103 |
| 2043 | - | 17,194,347 | 17,194,347 |
| 2044 | - | 17,180,166 | 17,180,166 |
| 2045 | - | 17,163,137 | 17,163,137 |
| 2046 | - | 17,141,862 | 17,141,862 |
| | $ 308,650,566 | $ 452,027,779 | $ 760,678,345 |



**VIRGINIA PORT AUTHORITY**

**RATIO OF OUTSTANDING REVENUE BONDS, MASTER EQUIPMENT LEASE FINANCINGS, AND NOTES PAYABLE[1] BY TYPE TO OPERATING REVENUES**
**Fiscal Years 2011 through 2020**

| Fiscal Year Ended June 30, | Port Facilities Revenue Bonds* | Commonwealth Port Fund Revenue Bonds* | Master Equipment Lease Financing | Other Long-Term Debt* | Short-Term Debt | Total | Ratio - Total Debt to Operating Revenues | Total Business-Type Activities Operating Revenues |
|---|---|---|---|---|---|---|---|---|
| 2011 | $ 278,420,000 | $ 181,605,000 | $ 62,494,187 | $ - | $ 13,911,029 | $ 536,430,216 | 1.86 | $ 287,727,117 |
| 2012 | 274,360,000 | 233,540,000 | 53,121,562 | - | - | 561,021,562 | 1.81 | 310,638,273 |
| 2013 | 270,110,000 | 230,505,000 | 43,427,551 | - | - | 544,042,551 | 1.54 | 352,334,153 |
| 2014 | 265,515,000 | 219,230,000 | 33,290,174 | - | - | 518,035,174 | 1.31 | 396,668,961 |
| 2015 | 255,360,000 | 266,280,000 | 23,790,847 | - | - | 545,430,847 | 1.20 | 456,168,985 |
| 2016 | 251,995,000 | 254,350,000 | 17,292,101 | - | - | 523,637,101 | 1.15 | 454,818,531 |
| 2017 | 280,530,000 | 243,770,000 | - | 2,158,013 | - | 526,458,013 | 1.07 | 490,834,668 |
| 2018 | 278,395,000 | 234,420,000 | 29,937,423 | 2,158,013 | - | 544,910,436 | 1.01 | 537,045,183 |
| 2019 | 272,830,000 | 227,890,000 | 28,439,956 | 2,111,728 | - | 531,271,684 | 0.94 | 567,620,370 |
| 2020 | 267,085,000 | 217,805,000 | 62,933,246 | 2,064,111 | - | 549,887,357 | 1.07 | 512,909,151 |

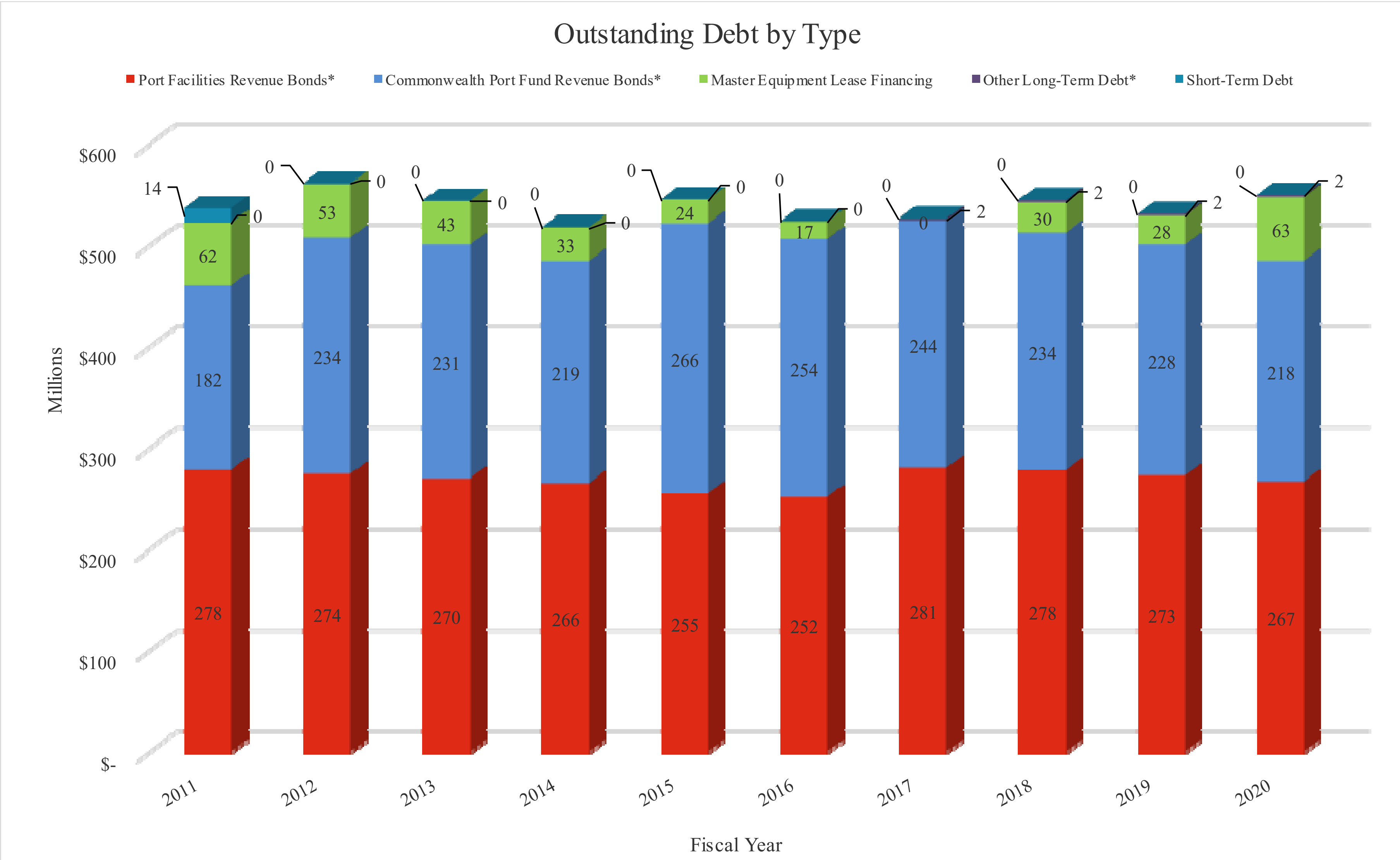
* at par value - does not include premiums or deferred amounts

[1] The above table considers debt in the context of principal repayment obligations for borrowed funds to financial capital needs. Commensurate with issuance, there may be premiums/discounts associated with the debt. The table also excludes the amended and restated lease with Virginia International Gateway, Inc. Please see Note 6 to the financial statements for more information.

The Authority has no taxing authority and does not derive its revenues directly from the population of the Commonwealth. There is no direct relationship between the population of the Commonwealth, or its per capita income to the types of debt incurred by the Authority. The above ratios reflect debt as a percentage of combined operating revenues which fluctuate based on local, state, and world-wide economics.

**VIRGINIA PORT AUTHORITY**

**OUTSTANDING DEBT BY TYPE**

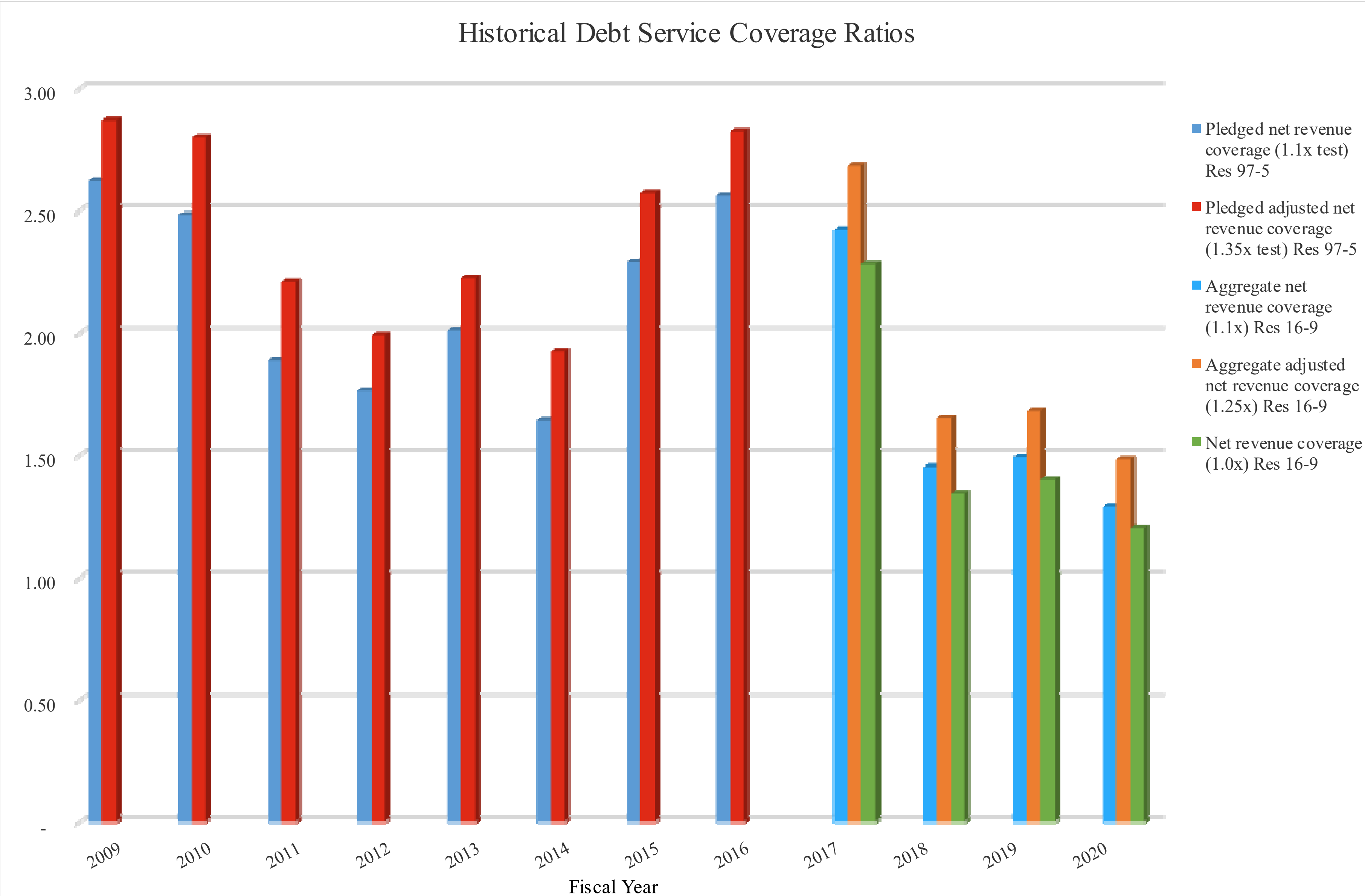



* at par value – does not include premiums or deferred amounts

Note: Does not include the VIG lease. Please refer to Note 6 for further discussion of the capital lease obligation – VIG lease.

**VIRGINIA PORT AUTHORITY**

**HISTORICAL DEBT SERVICE COVERAGE RATIOS**



**VIRGINIA PORT AUTHORITY**
**AND VIRGINIA INTERNATIONAL TERMINALS, LLC**

## OPERATING RESULTS AND DEBT SERVICE COVERAGE 97-5
## CASH BASIS
## Fiscal Years 2009 through 2016

| | Fiscal Year June 30, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| **Virginia International Terminals** | | | | | | | | |
| Gross receipts | $ 213,953,605 | $ 193,786,201 | $ 262,193,694 | $ 285,172,289 | $ 319,328,898 | $ 312,014,454 | $ 356,486,579 | $ 420,225,842 |
| Current expenses | (157,368,268) | (147,306,627) | (178,543,458) | (197,617,574) | (222,110,006) | (223,495,865) | (258,033,599) | (304,119,912) |
| CE reserve withdrawal (deposit) | - | 2,200,000 | (900,000) | 1,562,000 | - | 2,595,997 | 3,450,564 | (4,652,679) |
| Deposits to CEMA | (7,781,079) | (1,815,981) | (3,842,153) | (4,701,389) | (4,635,516) | (9,243,097) | (7,215,154) | (8,689,854) |
| Capital asset proceeds (expense) credit | - | - | - | 385,738 | (768,363) | (733,364) | (673,155) | (335,823) |
| **VIT net revenue** | $ 48,804,258 | $ 46,863,593 | $ 78,908,083 | $ 84,801,064 | $ 91,815,013 | $ 81,138,125 | $ 94,015,235 | $ 102,427,574 |
| **Virginia Port Authority** | | | | | | | | |
| Gross revenues: | | | | | | | | |
| VIT net revenue | $ 48,804,258 | $ 46,863,593 | $ 78,908,083 | $ 84,801,064 | $ 91,815,013 | $ 81,138,125 | $ 94,015,235 | $ 102,427,574 |
| Other income | 4,825,652 | 9,430,005 | 6,126,614 | 6,357,859 | 8,881,695 | 6,924,491 | 7,990,753 | 25,310,365 |
| Interest income | 134,182 | 44,490 | 73,737 | 28,359 | 98,956 | 9,066 | 140,228 | 5,998 |
| **Total VPA gross revenues** | 53,764,092 | 56,338,088 | 85,108,434 | 91,187,282 | 100,795,664 | 88,071,682 | 102,146,216 | 127,743,937 |
| Current expenses | (25,071,082) | (22,977,885) | (55,359,088) | (65,269,973) | (70,046,960) | (72,577,974) | (78,801,935) | (93,003,181) |
| **Net revenues** | $ 28,693,010 | $ 33,360,203 | $ 29,749,346 | $ 25,917,309 | $ 30,748,704 | $ 15,493,708 | $ 23,344,281 | $ 34,740,756 |
| CPF for O&M | $ 3,453,823 | $ 4,440,626 | $ 5,604,072 | $ 4,032,026 | $ 3,704,328 | $ 4,337,882 | $ 3,764,820 | $ 4,408,734 |
| **Debt Service Coverage** | | | | | | | | |
| Port facilities revenue bonds: | | | | | | | | |
| Net debt service | $ 13,906,715 | $ 14,174,477 | $ 17,780,512 | $ 17,389,491 | $ 17,571,928 | $ 15,113,582 | $ 13,332,637 | $ 16,984,789 |
| Pledged net revenues | 36,474,089 | 35,176,184 | 33,591,499 | 30,618,698 | 35,384,220 | 24,736,804 | 30,559,435 | 43,430,610 |
| Pledged adjusted net revenues | 39,927,912 | 39,616,810 | 39,195,571 | 34,650,724 | 39,088,547 | 29,074,686 | 34,324,255 | 47,839,344 |
| Pledged net revenue coverage | 2.62 | 2.48 | 1.89 | 1.76 | 2.01 | 1.64 | 2.29 | 2.56 |
| Pledged adjusted net revenue coverage | 2.87 | 2.79 | 2.20 | 1.99 | 2.22 | 1.92 | 2.57 | 2.82 |

This data will continue to be published until we have ten years of data under Resolution 16-9.

## VIRGINIA PORT AUTHORITY

## OPERATING RESULTS AND DEBT SERVICE COVERAGE 16-9

| | Fiscal Year June 30, | | | |
|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 |
| **VIRGINIA INTERNATIONAL TERMINALS** | | | | |
| VIT/HRCP II gross receipts | $ 484,493,992 | $ 550,211,505 | $ 589,669,817 | $ 556,625,173 |
| VIT/HRCP II current expenses | (350,770,652) | (421,532,643) | (419,549,635) | (416,717,115) |
| VIT liquidity reserve withdrawal (deposit) | (2,542,503) | 6,060,609 | (10,030,673) | (676,752) |
| One-time cash transfers HRCP II | 5,826,628 | - | - | - |
| VIT CEMA liquidation | 16,061,215 | - | - | - |
| VIT/HRCP II port operator capital expenditures **(A)** | (7,579,357) | (11,046,227) | (6,455,721) | (11,091,346) |
| **VIT/HRCP II payment (per Payment Agreement to VPA)** | 145,489,323 | 123,693,244 | 153,633,788 | 128,139,960 |
| **VIRGINIA PORT AUTHORITY** | | | | |
| Gross revenues: | | | | |
| VIT/HRCP II payment per Payment Agreement | 145,489,323 | 123,693,244 | 153,633,788 | 128,139,960 |
| Other VPA income and interest income | 10,036,848 | 11,185,777 | 15,052,567 | 17,247,283 |
| **Total gross revenues** | 155,526,171 | 134,879,021 | 168,686,355 | 145,387,243 |
| Current expenses: | | | | |
| Terminal expenditures | (26,487,514) | (24,606,069) | (27,837,037) | (27,756,049) |
| Operating lease payments | (17,429,000) | (185,000) | (185,000) | (185,000) |
| **Total current expenses** | (43,916,514) | (24,791,069) | (28,022,037) | (27,941,049) |
| **Net revenue (B)** | 111,609,657 | 110,087,952 | 140,664,318 | 117,446,194 |
| VPA Commonwealth Port Fund used for O & M **(P)** | 7,657,417 | 8,161,526 | 9,975,320 | 10,192,191 |
| VPA Commonwealth Port Fund used for VIG rent **(Q)** | 5,831,000 | 9,996,000 | 9,996,000 | 9,996,000 |
| Revenue stabilization fund balance | 29,082,109 | 39,660,634 | 39,973,130 | 40,115,940 |
| 25% of revenue stabilization fund balance **(D)** | 7,270,527 | 9,915,159 | 9,993,282 | 10,028,985 |
| Net revenue (B) | 111,609,657 | 110,087,952 | 140,664,318 | 117,446,194 |
| Aggregate net revenue **(E)** (E = B + D - A) | 126,459,541 | 131,049,338 | 157,113,321 | 138,566,525 |
| Adjusted net revenue **(F)** (F = B + P + Q) | 125,098,074 | 128,245,478 | 160,635,638 | 137,634,385 |
| Aggregate adjusted net revenue **(G)** (G = F + D - A) | 139,947,958 | 149,206,864 | 177,084,641 | 158,754,716 |
| **DEBT SERVICE COVERAGE** | | | | |
| Senior debt service: | | | | |
| Senior obligations | 42,577,887 | 72,795,077 | 87,818,263 | 90,298,809 |
| Series 2016 Bonds principal and interest requirements | 9,614,006 | 17,536,594 | 17,503,749 | 17,068,203 |
| **Aggregate principal and interest requirements (C)** | $ 52,191,893 | $ 90,331,671 | $ 105,322,012 | $ 107,367,012 |

| **Debt Service Coverage** | **Actual 2017** | **Actual 2018** | **Actual 2019** | **Actual 2020** |
|---|---|---|---|---|
| Aggregate net revenue coverage (E/C > 1.1x) | 2.42 | 1.45 | 1.49 | 1.29 |
| Aggregate adjusted net revenue coverage (G/C > 1.25x) | 2.68 | 1.65 | 1.68 | 1.48 |
| Net revenue coverage ((B-A)/C > 1.0x) | 2.28 | 1.34 | 1.40 | 1.20 |

# THE PORT BY NUMBERS

## ECONOMIC DEVELOPMENT

**$2 billion + invested** in port-related economic development in 2019

**8 million + sq. ft.** of industrial development space since 2016

**218 port related economic development announcements** over the past 5 years

## MID-ATLANTIC LOCATION

Home to **Foreign Trade Zone (FTZ) #20**

Two days drive from **75% of the U.S. population**, **47 hours** rail transit to Chicago

**18 nautical miles or 2.5 hours** to open sea with no air draft restrictions

## SERVICES

Asia service offerings from both **Panama Canal and Suez Canal.**

**30 global port calls** with direct service to **45+ countries**

Virginia has the **third largest state-maintained transportation network**, including interstates: I-95, I-81, I-64, I-85, I-77, I-66

# **THE PORT** BY NUMBERS

## RAIL

**2 Class I railroads** operating on-dock – Norfolk Southern & CSX

**16 Midwest and Southeast** inland points served by rail

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

## CAPACITY

**26 Suez-class** ship-to-shore cranes port-wide

**HRCP II provides a true gray chassis pool** across container operations.

**55’/16.76m channel deepening project** will be complete by 2025

## IMPACT

Responsible for nearly **400,000 jobs**

Recipient of **15 Elizabeth River Project Star Awards**

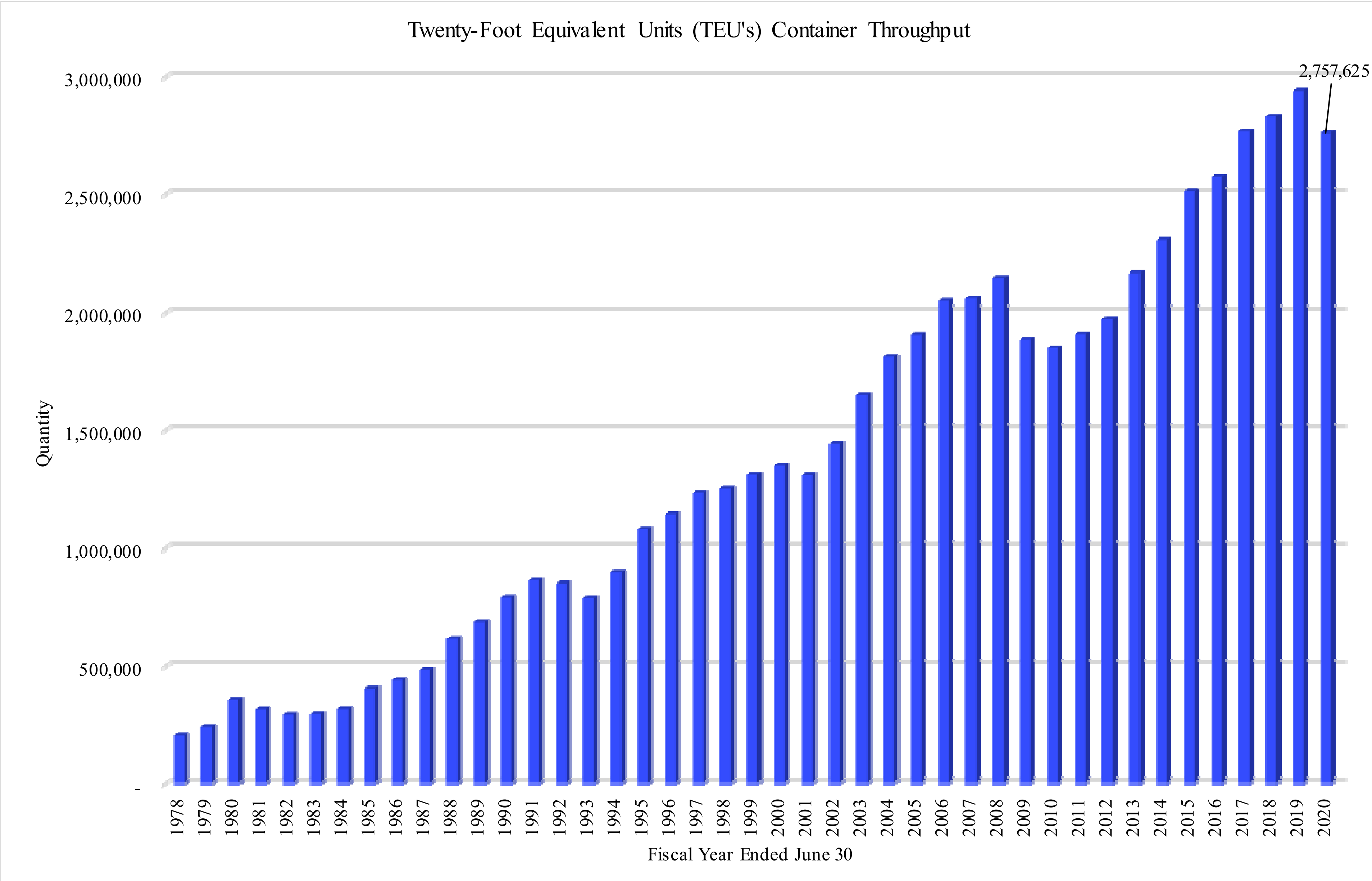
**$6.95 million** available in Virginia Port Incentives each year

# THE PORT OF VIRGINIA RAIL CONNECTIVITY


# THE PORT OF VIRGINIA TERMINALS

**VIRGINIA PORT AUTHORITY**

**TWENTY-FOOT EQUIVALENT (TEU'S) CONTAINER THROUGHPUT**



# Hampton Roads Harbor

## *Calendar Year 2019 Trade Overview*

| TOTAL | Short Tons (Thousands) | Metric Tons (Thousands) |
|---|---|---|
| Total Cargo | 60,014.07 | 54,443.92 |
| General Cargo | 21,940.75 | 19,904.32 |
| Container Cargo | 21,779.26 | 19,757.82 |
| Breakbulk Cargo* | 161.49 | 146.50 |
| Container Units | 1,643,789 | |
| TEUs | 2,937,962 | |
| Total Cargo Dollar Value (Millions) | $74,863.95 | |

| EXPORT | Short Tons (Thousands) | Metric Tons (Thousands) |
|---|---|---|
| Total Cargo | 47,571.81 | 43,156.47 |
| General Cargo | 10,639.33 | 9,651.84 |
| Container Cargo | 10,615.97 | 9,630.65 |
| Breakbulk Cargo | 23.36 | 21.19 |
| Container Units | 861,142 | |
| TEUs | 1,548,904 | |
| Total Cargo Dollar Value (Millions) | $24,818.31 | |

| IMPORT | Short Tons (Thousands) | Metric Tons (Thousands) |
|---|---|---|
| Total Cargo | 12,442.27 | 11,287.45 |
| General Cargo | 11,301.42 | 10,252.48 |
| Container Cargo | 11,163.29 | 10,127.17 |
| Breakbulk Cargo | 138.13 | 125.31 |
| Container Units | 782,647 | |
| TEUs | 1,389,058 | |
| Total Cargo Dollar Value (Millions) | $50,045.64 | |

| | |
|---|---|
| Vessel Calls | 2,327 |
| Coal Loadings* Short Tons (Thousands) | 33,697.55 |

*Coal loadings and breakbulk cargo include international and domestic shipments

| US East Coast Port | TEUs | East Coast Market Share |
|---|---|---|
| New York/New Jersey | 8,088,155 | 36.1% |
| Savannah | 4,976,844 | 22.2% |
| Port of Virginia | 3,150,239 | 14.1% |
| Charleston (SC) | 2,647,207 | 11.8% |
| Miami | 1,242,999 | 5.6% |
| Baltimore | 1,168,573 | 5.2% |
| Port Everglades | 1,119,453 | 5.0% |

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

*Note: The list of Port Facilities included in this report is summarized on the last page of this report*

*Compiled by The Port of Virginia, Strategic Planning & Analytics*

## Calendar Year 2019 Total Cargo in Thousands of Short Tons

### Top 10 Trading Partners

| | Exports | | | Imports | |
|---|---|---|---|---|---|
| 1 | India | 5,348.71 | 1 | China | 2,379.00 |
| 2 | Brazil | 4,560.46 | 2 | Germany | 1,018.42 |
| 3 | Ukraine | 3,549.30 | 3 | India | 948.13 |
| 4 | Morocco | 3,034.20 | 4 | Brazil | 681.67 |
| 5 | Italy | 2,965.17 | 5 | Italy | 636.99 |
| 6 | Netherlands | 2,586.96 | 6 | Turkey | 506.62 |
| 7 | China | 2,416.36 | 7 | Vietnam | 499.94 |
| 8 | United Kingdom | 2,261.34 | 8 | Spain | 481.23 |
| 9 | Japan | 2,087.27 | 9 | France | 425.40 |
| 10 | Turkey | 1,650.28 | 10 | Greece | 345.09 |

### Top 10 Commodities

| | Exports | | | Imports | |
|---|---|---|---|---|---|
| 1 | Mineral Fuels, Mineral Oils | 33,752.92 | 1 | Nuclear Reactors, Boilers, Machinery | 1,093.34 |
| 2 | Wood | 2,610.79 | 2 | Salt; Sulfur; Earths And Stone | 1,066.95 |
| 3 | Oil Seeds | 2,397.14 | 3 | Furniture And Bedding | 836.01 |
| 4 | Residues | 1,811.29 | 4 | Plastics | 780.51 |
| 5 | Woodpulp, Etc. | 1,433.89 | 5 | Beverages, Spirits And Vinegar | 565.33 |
| 6 | Plastics | 576.00 | 6 | Electrical Machinery | 488.49 |
| 7 | Iron And Steel | 421.44 | 7 | Inorganic Chemicals | 468.64 |
| 8 | Animal Or Vegetable Fats And Oils | 358.65 | 8 | Rubber | 466.01 |
| 9 | Paper And Paperboard | 351.45 | 9 | Vehicles, Other Than Railway | 463.17 |
| 10 | Organic Chemicals | 326.74 | 10 | Iron Or Steel | 460.02 |

### Trade Lanes

| | Export | Import |
|---|---|---|
| Africa | 4,793.52 | 190.94 |
| Asia, Northeast | 6,192.47 | 2,941.03 |
| Asia, Southeast | 2,801.69 | 1,233.09 |
| Carribbean | 808.43 | 46.64 |
| Central America | 168.63 | 42.83 |
| Europe, North | 13,072.30 | 3,344.32 |
| India & Others | 5,743.76 | 1,092.61 |
| Mediterranean | 7,610.05 | 2,048.06 |
| Middle East | 534.69 | 141.74 |
| North America | 409.40 | 104.09 |
| Oceania | 42.58 | 18.74 |
| South America | 5,394.30 | 1,238.16 |

### Top U.S. Ports

| | | |
|---|---|---|
| 1 | Houston, TX | 214,921.34 |
| 2 | New Orleans, LA | 115,362.95 |
| 3 | Corpus Christi, TX | 83,921.71 |
| 4 | Los Angeles, CA | 79,768.58 |
| 5 | Newark, NJ | 68,326.51 |
| 6 | Gramercy, LA | 62,194.71 |
| 7 | The Port of Virginia, VA | 60,014.07 |
| 8 | Long Beach, CA | 49,129.58 |
| 9 | Beaumont, TX | 48,521.73 |
| 10 | Port Arthur, TX | 45,797.20 |

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

*Note: The list of Port Facilities included in this report is summarized on the last page of this report*

*Compiled by The Port of Virginia, Strategic Planning & Analytics*

## Calendar Year 2019 Total Cargo in Thousands of Metric Tons

### Top 10 Trading Partners

| Exports | | Imports | |
|---|---|---|---|
| 1 India | 4,852.28 | 1 China | 2,158.20 |
| 2 Brazil | 4,137.19 | 2 Germany | 923.89 |
| 3 Ukraine | 3,219.88 | 3 India | 860.13 |
| 4 Morocco | 2,752.58 | 4 Brazil | 618.40 |
| 5 Italy | 2,689.96 | 5 Italy | 577.87 |
| 6 Netherlands | 2,346.85 | 6 Turkey | 459.60 |
| 7 China | 2,192.09 | 7 Vietnam | 453.53 |
| 8 United Kingdom | 2,051.45 | 8 Spain | 436.57 |
| 9 Japan | 1,893.54 | 9 France | 385.92 |
| 10 Turkey | 1,497.11 | 10 Greece | 313.06 |

### Top 10 Commodities

| Exports | | Imports | |
|---|---|---|---|
| 1 Mineral Fuels, Mineral Oils | 30,620.17 | 1 Nuclear Reactors, Boilers, Machinery | 991.86 |
| 2 Wood | 2,368.48 | 2 Salt; Sulfur; Earths And Stone | 967.92 |
| 3 Oil Seeds | 2,174.65 | 3 Furniture And Bedding | 758.41 |
| 4 Residues | 1,643.17 | 4 Plastics | 708.07 |
| 5 Woodpulp, Etc. | 1,300.80 | 5 Beverages, Spirits And Vinegar | 512.86 |
| 6 Plastics | 522.54 | 6 Electrical Machinery | 443.16 |
| 7 Iron And Steel | 382.32 | 7 Inorganic Chemicals | 425.14 |
| 8 Animal Or Vegetable Fats And Oils | 325.36 | 8 Rubber | 422.76 |
| 9 Paper And Paperboard | 318.83 | 9 Vehicles, Other Than Railway | 420.18 |
| 10 Organic Chemicals | 296.42 | 10 Iron Or Steel | 417.33 |

### Trade Lanes

| | Export | Import |
|---|---|---|
| Africa | 4,348.61 | 173.22 |
| Asia, Northeast | 5,617.72 | 2,668.06 |
| Asia, Southeast | 2,541.65 | 1,118.64 |
| Carribbean | 733.39 | 42.31 |
| Central America | 152.98 | 38.86 |
| Europe, North | 11,859.01 | 3,033.92 |
| India & Others | 5,210.65 | 991.20 |
| Mediterranean | 6,903.73 | 1,857.98 |
| Middle East | 485.06 | 128.59 |
| North America | 371.40 | 94.43 |
| Oceania | 38.63 | 17.00 |
| South America | 4,893.63 | 1,123.25 |

### Top U.S. Ports

| | |
|---|---|
| 1 Houston, TX | 194,973.60 |
| 2 New Orleans, LA | 104,655.63 |
| 3 Corpus Christi, TX | 76,132.59 |
| 4 Los Angeles, CA | 72,364.93 |
| 5 Newark, NJ | 61,984.84 |
| 6 Gramercy, LA | 56,422.16 |
| 7 The Port of Virginia, VA | 54,443.92 |
| 8 Long Beach, CA | 44,569.66 |
| 9 Beaumont, TX | 44,018.23 |
| 10 Port Arthur, TX | 41,546.57 |

*Source: U.S. Dept. of Commerce, Bureau of Census, Virginia Maritime Association, The Port of Virginia*
*Note: The list of Port Facilities included in this report is summarized on the last page of this report*
*Compiled by The Port of Virginia, Strategic Planning & Analytics*

THE PORT OF VIRGINIA

## *Calendar Year 2019 Total Cargo in Millions of U.S. Dollars*

### Top 10 Trading Partners

| | Exports | | | Imports | |
|---|---|---|---|---|---|
| 1 | China | $2,020.22 | 1 | China | $10,378.62 |
| 2 | Belgium | $1,911.70 | 2 | Germany | $6,722.70 |
| 3 | Germany | $1,451.89 | 3 | India | $3,871.91 |
| 4 | Netherlands | $1,319.97 | 4 | Italy | $3,082.08 |
| 5 | Japan | $1,317.02 | 5 | Japan | $2,120.25 |
| 6 | United Kingdom | $1,301.56 | 6 | Vietnam | $1,797.42 |
| 7 | India | $1,115.03 | 7 | Malaysia | $1,640.82 |
| 8 | Austria | $986.63 | 8 | France | $1,550.01 |
| 9 | Brazil | $984.65 | 9 | United Kingdom | $1,483.73 |
| 10 | Spain | $903.25 | 10 | Brazil | $1,373.12 |

### Top 10 Commodities

| | Exports | | | Imports | |
|---|---|---|---|---|---|
| 1 | Nuclear Reactors, Boilers, Machinery | $2,657.60 | 1 | Nuclear Reactors, Boilers, Machinery | $11,346.67 |
| 2 | Pharmaceutical Products | $2,446.63 | 2 | Electrical Machinery | $4,059.44 |
| 3 | Plastics | $2,115.32 | 3 | Pharmaceutical Products | $3,347.23 |
| 4 | Miscellaneous Chemical Products | $1,359.46 | 4 | Vehicles, Other Than Railway | $2,695.70 |
| 5 | Organic Chemicals | $1,166.60 | 5 | Furniture And Bedding | $2,668.42 |
| 6 | Vehicles, Other Than Railway | $1,148.88 | 6 | Plastics | $2,353.52 |
| 7 | Oil Seeds | $873.58 | 7 | Toys | $1,517.92 |
| 8 | Electrical Machinery | $834.66 | 8 | Organic Chemicals | $1,515.05 |
| 9 | Wood | $778.48 | 9 | Optical, Medical Or Surgical Instruments | $1,288.27 |
| 10 | Woodpulp | $734.00 | 10 | Iron Or Steel | $1,249.93 |

### Trade Lanes

| | Export | Import |
|---|---|---|
| Africa | $1,432.45 | $556.82 |
| Asia, Northeast | $4,733.47 | $13,918.10 |
| Asia, Southeast | $2,273.39 | $5,783.61 |
| Carribbean | $242.27 | $24.20 |
| Central AM | $276.32 | $143.26 |
| Europe, North | $9,360.34 | $16,809.50 |
| India & Others | $1,427.33 | $4,855.99 |
| Mediterranean | $1,738.19 | $5,403.41 |
| Middle East | $1,387.54 | $538.55 |
| North America | $38.19 | $35.65 |
| Oceania | $246.48 | $58.08 |
| South America | $1,662.32 | $1,918.43 |

### Top U.S. Ports

| | | |
|---|---|---|
| 1 | Los Angeles, CA | $276,209.13 |
| 2 | Newark, NJ | $159,794.40 |
| 3 | Houston, TX | $157,545.98 |
| 4 | Savannah, GA | $106,644.43 |
| 5 | Long Beach, CA | $92,953.33 |
| 6 | Charleston, SC | $75,008.98 |
| 7 | The Port of Virginia, VA | $74,863.95 |
| 8 | Baltimore, MD | $58,398.38 |
| 9 | Oakland, CA | $50,889.51 |
| 10 | Tacoma, WA | $48,717.97 |

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

*Note: The list of Port Facilities included in this report is summarized on the last page of this report*

*Compiled by The Port of Virginia, Strategic Planning & Analytics*

*Port Facilities*

**General Cargo Terminals**

Lambert's Point Docks, Inc.

The Port of Virginia

**Coal Terminals**

Dominion Terminal Associates

Kinder Morgan Bulk Terminals - Pier IX

Norfolk Southern Corporation - Coal Pier 6

**Refrigerated Facilities**

Lineage RCS Norfolk (formerly IRPS)

**Dry Bulk and Grain Handling Facilities**

Kinder Morgan Money Point

Kinder Morgan Terminals - Elizabeth River Terminals, LLC

Perdue Agribusiness LLC

TransMontaigne Dry Bulk

**Oil Storage and Handling Facilities**

BKEP Materials, LLC

IMTT - Virginia

Marine Oil Service, Inc.

Norfolk Oil Transit, Inc.

PAPCO, Inc.

TransMontaigne, Inc.

## OTHER OPERATIONAL INFORMATION

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

| Type | VPA Employee Base by Classification June 30, | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Sworn Officers/Security Personnel/ Safety | 82 | 81 | 49 | 42 | 39 | 47 | 51 | 50 | 49 | 54 | 53 |
| Marketing/Economic Development Personnel | 6 | 8 | 9 | 13 | 18 | 25 | 17 | 18 | 19 | 19 | 18 |
| Port Promotions Personnel | 5 | 6 | 5 | 2 | - | - | - | - | - | - | - |
| Strategic Planning, Engineering & Acquisition Personnel | 8 | 8 | 7 | 7 | 8 | 8 | 24 | 27 | 23 | 40 | 35 |
| Information Technology Personnel | - | - | - | - | - | - | 41 | 41 | 39 | 34 | 31 |
| Administrative Personnel | 23 | 23 | 22 | 17 | 18 | 56 | 63 | 67 | 70 | 73 | 84 |
| **Agency Totals** | 124 | 126 | 92 | 81 | 83 | 136 | 196 | 203 | 200 | 220 | 221 |

## VIRGINIA PORT AUTHORITY
## SOURCE AND USE DATA
### Fiscal Year Ended June 30, 2020

| | | | | | |
|---|---|---|---|---|---|
| Operating revenues | $ 150,540,969 | 47% | Operating expenses | $ 131,951,809 | 47% |
| Non-operating revenues | 168,186,258 | 53% | Non-operating expenses | 146,083,246 | 53% |
| **Total revenues** | $ 318,727,227 | | **Total expenses** | $ 278,035,055 | |

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

Of the operating revenues, $133.9 million or 89.0% are operating transfers based on the net cash flows of Virginia International Terminals. Their tariff rates are published at https://wp.portofvirginia.com/wp-content/uploads/2020/09/SOR-Original-8.31.20.pdf. Currently 60.3% of all terminal operating revenues are based on unit rate contracts which are proprietary, but commit shiplines and alliances to long-term contracts with minimum annual container volumes. The remaining revenues are billed at tariff rates or via specific quotes.

# VIRGINIA PORT AUTHORITY

## CAPITAL ASSETS[1]
## Fiscal Years 2011 through 2020

| | Fiscal Year June 30, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Terminals Operated (total) | 5 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Owned | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Leased | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Land (acres) | 1,509 | 1,630 | 1,630 | 1,592 | 1,592 | 1,592 | 1,592 | 1,592 | 1,592 | 1,592 |
| Berth/Wharf (linear feet) | 18,500 | 20,084 | 20,084 | 18,439 | 18,439 | 17,955 | 17,935 | 17,935 | 18,736 | 18,736 |
| Rail Track (linear feet) | 187,457 | 187,457 | 187,457 | 177,020 | 177,020 | 184,795 | 204,607 | 204,607 | 208,495 | 208,495 |
| On-Terminal Warehouse (sq. ft.) | 2,223,000 | 2,523,105 | 2,523,105 | 2,614,105 | 2,614,105 | 2,698,000 | 2,638,105 | 2,638,105 | 2,017,305 | 2,017,305 |
| Net Book Value of Capital Assets | $ 835,675,055 | $ 809,568,255 | $ 775,509,338 | $ 770,413,713 | $ 756,658,762 | $ 753,053,195 | $ 912,374,872 | $ 967,088,783 | $ 1,089,777,180 | $ 1,209,875,926 |
| Construction in process | 160,044,340 | 112,808,246 | 110,378,281 | 131,136,358 | 108,312,870 | 122,437,149 | 195,487,725 | 291,098,822 | 311,683,859 | 205,796,615 |
| Land | 100,122,410 | 105,611,558 | 105,727,987 | 105,539,821 | 105,539,821 | 102,749,147 | 103,936,099 | 103,936,097 | 103,936,097 | 103,936,097 |
| Buildings and infrastructure | 643,180,345 | 715,700,049 | 715,771,832 | 723,745,918 | 765,087,023 | 780,966,061 | 851,512,977 | 857,600,994 | 935,250,075 | 1,072,450,851 |
| Equipment | 326,148,220 | 269,181,526 | 280,120,829 | 288,455,554 | 298,791,643 | 304,165,331 | 370,713,726 | 370,798,153 | 448,463,600 | 596,453,930 |
| Depreciation (accumulated) | (393,820,260) | (393,733,124) | (436,489,590) | (478,463,938) | (521,072,595) | (557,264,493) | (609,275,655) | (656,345,283) | (709,556,451) | (768,761,567) |

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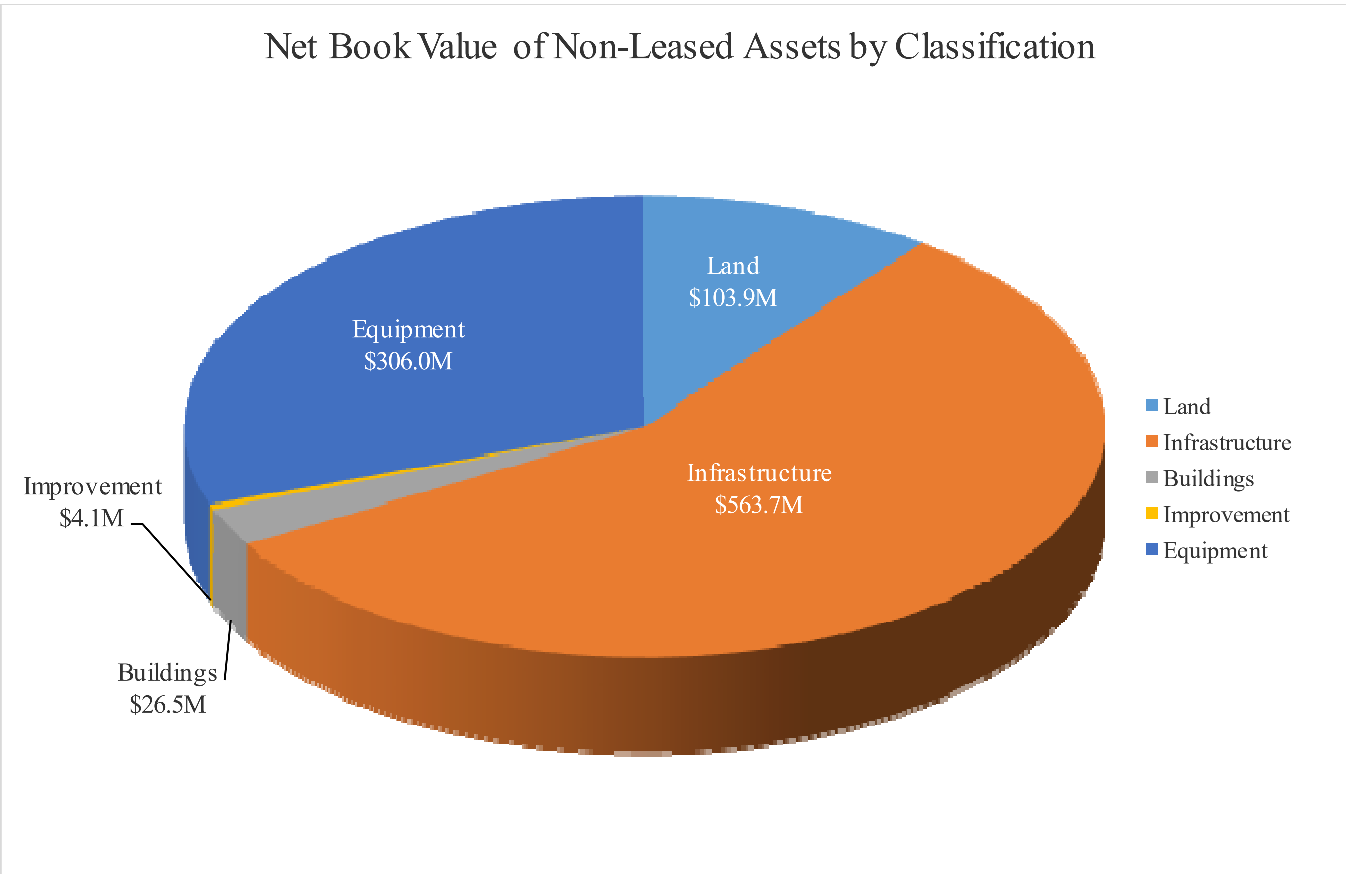
[1] Excludes the net book value of the amended and restated lease with Virginia International Gateway, Inc., which is recorded in the statement of net position as a capital lease.

## VIRGINIA PORT AUTHORITY

## OPERATING ASSETS

In conjunction with its mission to stimulate commerce through the ports of the Commonwealth, the Virginia Port Authority is responsible for the maintenance of and improvements to the Commonwealth's port facilities. Sixty-six percent (66%) of the Authority's assets are land and infrastructure such as wharfs, piers, container storage yard, etc. Container handling equipment is also a major operating asset at the port representing thirty percent (30%) of net assets. Container handling equipment consists primarily of cranes, straddle carriers, shuttle carriers and other freight handling equipment. The Authority's remaining asset classifications are buildings (3%) and improvements (1%).




This chart excludes Construction in Progress ($206M) as these assets are not currently used in operations.

# VIRGINIA PORT AUTHORITY

## CONSOLIDATED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
## Fiscal Years 2011 through 2020

| | Fiscal Year June 30, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2011 Restated[1] | 2012 Restated[1] | 2013 Restated[1] | 2014 Restated[1] | 2015 | 2016 | 2017 Restated[1] | 2018 | 2019 | 2020 |
| Operating revenues: | | | | | | | | | | |
| Terminal operating revenues | $ 277,856,791 | $ 297,835,649 | $ 339,460,135 | $ 383,714,148 | $ 451,242,335 | $ 444,444,057 | $ 478,261,207 | $ 522,069,004 | $ 551,236,042 | $ 496,258,411 |
| Other revenues | 6,274,000 | 6,519,292 | 7,970,579 | 7,762,729 | 9,147,626 | 9,339,787 | 10,102,177 | 10,444,816 | 11,186,158 | 10,946,317 |
| Operating revenues - grants | 3,596,326 | 6,283,332 | 4,903,439 | 5,192,084 | 5,295,084 | 6,390,908 | 2,113,617 | 5,534,057 | 5,198,170 | 5,704,423 |
| **Total operating revenues** | 287,727,117 | 310,638,273 | 352,334,153 | 396,668,961 | 465,685,045 | 460,174,752 | 490,477,001 | 538,047,877 | 567,620,370 | 512,909,151 |
| Operating expenses: | | | | | | | | | | |
| Terminal operations | 121,983,405 | 128,782,659 | 153,682,077 | 176,243,834 | 222,664,900 | 209,680,717 | 218,813,211 | 247,513,433 | 251,470,175 | 217,207,852 |
| Terminal maintenance | 54,745,598 | 54,936,881 | 70,958,589 | 92,160,744 | 86,935,700 | 89,883,939 | 94,533,543 | 104,686,862 | 108,678,605 | 112,128,919 |
| General and administrative | 47,905,140 | 51,903,912 | 43,556,452 | 46,063,032 | 36,479,680 | 49,708,682 | 49,656,296 | 52,028,679 | 55,581,726 | 58,476,374 |
| Facility rental | 32,538,640 | 37,063,827 | 47,229,466 | 52,479,613 | 55,679,447 | 55,618,729 | 17,429,000 | 396,370 | 1,451,058 | 1,681,651 |
| Depreciation and amortization | 50,630,851 | 49,271,899 | 47,979,055 | 46,612,042 | 46,648,716 | 47,723,393 | 74,405,644 | 84,271,174 | 86,939,592 | 103,839,332 |
| **Total operating expenses** | 307,803,634 | 321,959,178 | 363,405,639 | 413,559,265 | 448,408,443 | 452,615,460 | 454,837,694 | 488,896,518 | 504,121,156 | 493,334,128 |
| **Operating income (loss)** | (20,076,517) | (11,320,905) | (11,071,486) | (16,890,304) | 17,276,602 | 7,559,292 | 35,639,307 | 49,151,359 | 63,499,214 | 19,575,023 |
| Non-operating revenues (expenses): | | | | | | | | | | |
| Interest income | 1,181,739 | 1,510,827 | 333,654 | 555,518 | 502,056 | 704,381 | 920,012 | 1,368,375 | 4,052,618 | 6,177,222 |
| Interest expense, net of capitalized interest | (18,984,951) | (23,070,738) | (20,531,918) | (16,888,384) | (14,241,006) | (18,365,341) | (88,233,183) | (125,368,889) | (123,516,438) | (125,263,781) |
| Bond issue costs | (538,986) | (734,427) | (917,063) | (69,000) | (1,031,774) | (489,036) | (2,749,482) | (112,864) | (448,452) | (40,658) |
| Revenues (expenses) VEDP, net | - | - | - | - | - | 6,142,660 | 6,791,349 | 3,265,330 | - | - |
| Commonwealth Rail Relocation income (& ARRA) | 2,014,416 | 6,375,798 | 244,424 | - | - | - | - | - | - | - |
| Commonwealth Rail Relocation expenses | (2,272,191) | (6,296,498) | (394,990) | (133,770) | (2,730) | - | - | - | - | - |
| Revenues from federal government | 12,588,643 | 4,612,432 | 3,471,137 | 626,643 | 709,511 | 9,653,436 | 11,988,133 | 785,515 | 7,489,797 | 3,152,063 |
| Revenues (expenses) Commonwealth | (261,468) | (297,267) | (158,628) | 306,335 | - | - | - | - | 3,345,006 | 2,725,029 |
| Other income (expenses) | 8,996 | 8,722 | - | - | 404,983 | (2,802,901) | (2,227,563) | (2,373,008) | (3,216,848) | (3,376,631) |
| Gain (loss) on disposals | 88,879 | (15,266,083) | 708,585 | 2,652 | - | (1,107,131) | (20,574) | (1,768,892) | 744,338 | 271,117 |
| **Income (loss) before capital contributions and transfers** | (26,251,440) | (44,478,139) | (28,316,285) | (32,490,310) | 3,617,642 | 1,295,360 | (37,892,001) | (75,053,074) | (48,050,765) | (96,780,616) |
| Capital contributions and transfers: | | | | | | | | | | |
| Commonwealth Port Fund allocation | 34,717,391 | 36,252,985 | 37,223,718 | 36,652,218 | 38,418,111 | 42,366,884 | 41,469,200 | 41,126,101 | 43,051,489 | 41,922,273 |
| Capital contributions (to) from component unit | - | - | - | 11,000 | - | - | - | - | - | - |
| Payments to federal government - channel dredging | - | - | - | - | - | (5,500,393) | (844,504) | (984,275) | (3,223,890) | (17,402,176) |
| Revenues (expenses) from primary government | - | - | - | - | - | - | 84,661,132 | 54,260,585 | 97,655,819 | 114,048,969 |
| Capital contributions (to) from other state agencies | - | - | - | - | - | 152,861 | - | - | - | - |
| Cumulative effect of changes in accounting principle[2] | - | - | (4,564,965) | 12,207,272 | (29,915,563) | - | 6,561 | - | - | - |
| **Increase (decrease) in net position** | 8,465,951 | (8,225,154) | 4,342,468 | 16,380,180 | 12,120,190 | 38,314,712 | 87,400,388 | 19,349,337 | 89,432,653 | 41,788,450 |
| Special item - lease conversion | - | - | - | - | - | - | 13,277,025 | - | - | - |
| **Increase (decrease) in net position after special item** | 8,465,951 | (8,225,154) | 4,342,468 | 16,380,180 | 12,120,190 | 38,314,712 | 100,677,413 | 19,349,337 | 89,432,653 | 41,788,450 |
| Net position - beginning of year | 451,598,449 | 460,064,400 | 451,839,246 | 456,181,714 | 472,561,894 | 484,682,084 | 522,996,796 | 623,674,209 | 643,023,546 | 732,456,199 |
| Net position - end of year | $ 460,064,400 | $ 451,839,246 | $ 456,181,714 | $ 472,561,894 | $ 484,682,084 | $ 522,996,796 | $ 623,674,209 | $ 643,023,546 | $ 732,456,199 | $ 774,244,649 |

(1) Restatements include the adoption of GASB Statement No. 65 in 2014, a prior period adjustment to correct the capitalization of interest costs for periods prior to 2015 and the adoption of GASB Statement No. 75 in 2018.

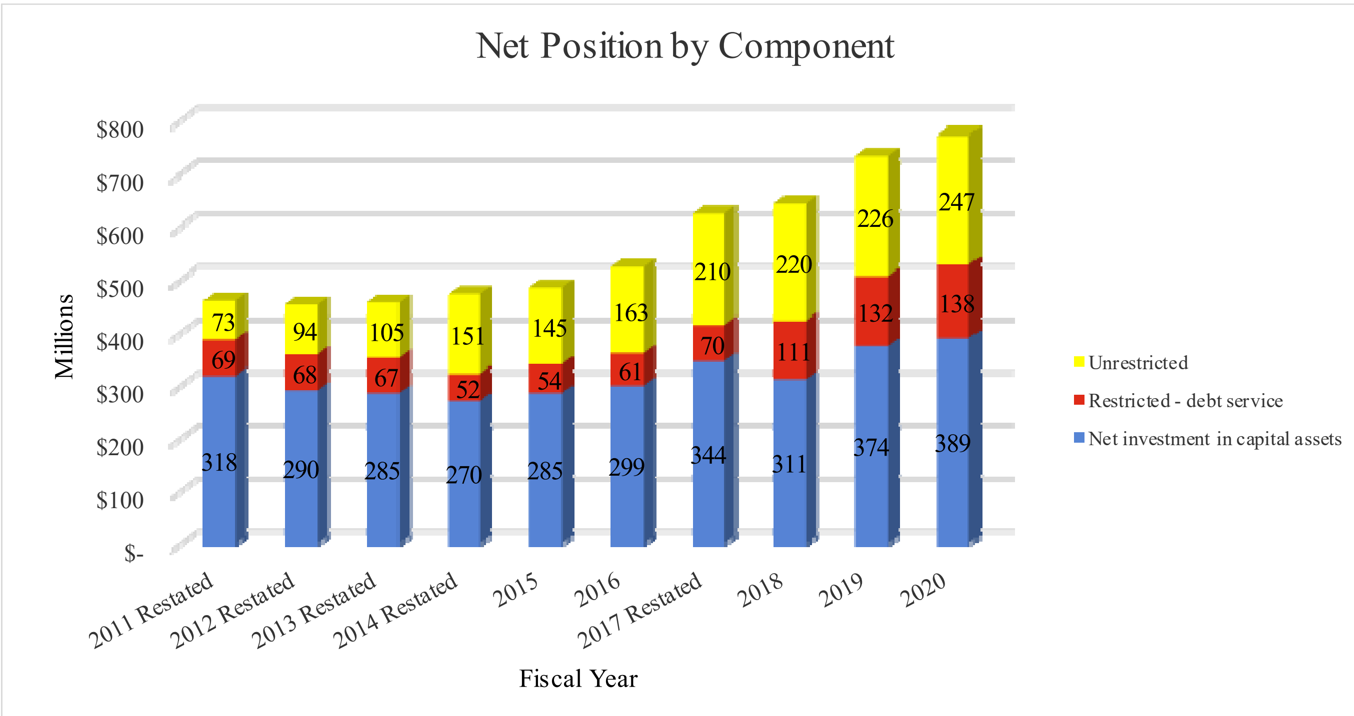
(2) 2013/2014 VIT adopted GASB pronouncements in lieu of FASB pronouncements in order to conform to the VPA accounting methodology; 2015 VPA/VIT adopted GASB 68 Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27.

**VIRGINIA PORT AUTHORITY**

## CONSOLIDATED NET POSITION BY COMPONENT
### Fiscal Years 2011 through 2020

| | Fiscal Year June 30, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2011 Restated | 2012 Restated | 2013 Restated | 2014 Restated | 2015 | 2016 | 2017 Restated | 2018 | 2019 | 2020 |
| Net Position | | | | | | | | | | |
| Net investment in capital assets | $ 318,020,499 | $ 290,000,862 | $ 284,918,598 | $ 269,881,033 | $ 284,879,235 | $ 299,198,470 | $ 344,497,228 | $ 311,357,185 | $ 374,200,083 | $ 388,985,803 |
| Restricted - debt service | 68,594,913 | 68,272,355 | 66,720,529 | 52,020,379 | 54,464,665 | 61,274,859 | 69,531,520 | 111,171,674 | 132,383,445 | 138,301,604 |
| Unrestricted | 73,448,988 | 93,566,029 | 104,542,587 | 150,660,482 | 145,338,184 | 162,523,467 | 209,645,461 | 220,494,687 | 225,872,671 | 246,957,242 |
| **Total net position** | $ 460,064,400 | $ 451,839,246 | $ 456,181,714 | $ 472,561,894 | $ 484,682,084 | $ 522,996,796 | $ 623,674,209 | $ 643,023,546 | $ 732,456,199 | $ 774,244,649 |

Net position amounts have been restated to reflect the implementation of GASB Statement No. 68, the restatement of prior years due to the capture of interest costs into capital assets and to conform to current year presentation.




# COMPLIANCE SECTION

# VIRGINIA PORT AUTHORITY

# CONTINUING DISCLOSURE AGREEMENT

# ANNUAL REPORT

***(Unaudited)***

**FOR THE**

## FISCAL YEAR ENDED JUNE 30, 2020

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

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

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

COMMONWEALTH PORT FUND REVENUE BONDS,
SERIES 2015 (AMT)

COMMONWEALTH PORT FUND REVENUE REFUNDING BONDS,
SERIES 2018

<u>BASE CUSIP NUMBER</u>: 928075

**CONTINUING DISCLOSURE AGREEMENT**
**TABLE OF CONTENTS**

# CONTINUING DISCLOSURE AGREEMENT
# ANNUAL REPORT
# Fiscal Year Ended June 30, 2020

Commonwealth Port Fund Revenue Refunding Bonds, Series 2012 (Taxable)
Commonwealth Port Fund Revenue Refunding Bonds, Series 2012B (Taxable)
Commonwealth Port Fund Revenue Refunding Bonds, Series 2012C (Non-AMT)
Commonwealth Port Fund Revenue Bonds, Series 2015 (AMT)
Commonwealth Port Fund Revenue Refunding Bonds, Series 2018

## TAXES APPROPRIATED TO COMMONWEALTH PORT FUND

The General Assembly of the Commonwealth of Virginia (the "Commonwealth") has appropriated the net additional revenues, from the tax and fee increases enacted pursuant to Chapters 11, 12 and 15 of the Acts of Assembly, 1986 Special Session, in each biennia, to the Commonwealth's Transportation Trust Fund (the "Transportation Fund") and directed the Commonwealth's Transportation Board to allocate 4.2% thereof to the Commonwealth Port Fund (the "Port Fund").

The General Assembly of the Commonwealth, in Chapter 1289 of the Acts of Assembly, approved various structural changes to the Commonwealth's method for funding transportation projects in an effort to simplify and make the Commonwealth's transportation funding arrangements more transparent and sustainable. These changes generally became effective July 1, 2020 and change the composition of and the allocations into the Transportation Fund and Port Fund. Those changes are not expected to result in a material adverse decline in revenues.

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, 2011.

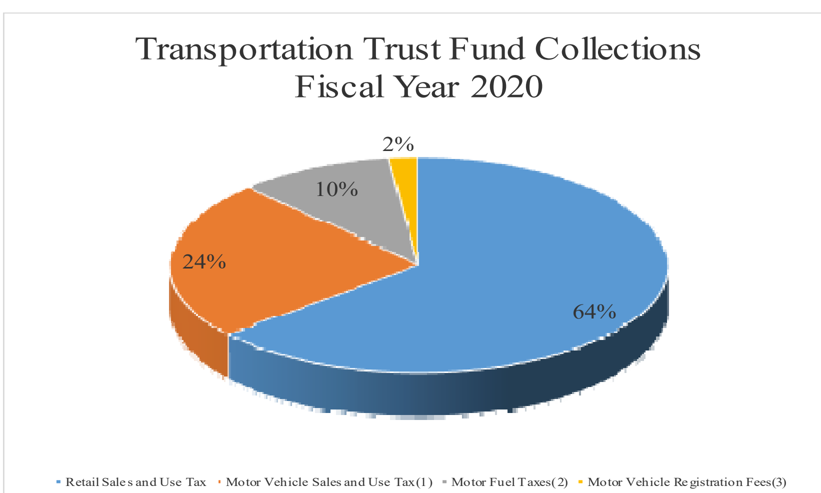
### TRANSPORTATION TRUST FUND
### STATEMENT OF REVENUE COLLECTIONS
### Last Ten Fiscal Years

**Transportation Trust Fund**
***(in millions)***

| | Fiscal Year June 30, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Retail Sales and Use Tax | $ 477.3 | $ 503.1 | $ 521.2 | $ 526.6 | $ 590.7 | $ 599.1 | $ 615.6 | $ 618.4 | $ 649.5 | $ 644.5 |
| Motor Vehicle Sales and Use Tax(1) | 183.6 | 198.3 | 201.8 | 207.4 | 224.9 | 237.2 | 245.8 | 242.7 | 254.0 | 240.8 |
| Motor Fuel Taxes(2) | 117.7 | 115.5 | 123.7 | 115.0 | 118.8 | 138.8 | 106.9 | 105.3 | 105.4 | 102.1 |
| Motor Vehicle Registration Fees(3) | 21.2 | 21.2 | 21.7 | 21.8 | 22.0 | 21.8 | 22.3 | 21.8 | 22.4 | 20.2 |
| **Total Transportation Trust Fund Revenues(4)** | $ 799.8 | $ 838.1 | $ 868.4 | $ 870.8 | $ 956.4 | $ 996.9 | $ 990.6 | $ 988.2 | $ 1,031.3 | $ 1,007.6 |

(1) Motor Vehicle Sales and Use Tax and Motor Vehicle Rental Tax.
(2) Motor Fuel Tax, Special Fuel Tax, Aviation Special Fuel Tax and Road Tax.
(3) Includes Fines, Penalties and Truck Permits when collected.
(4) Does not reflect investment income credited to such Fund or any Accelerated Revenue or Management Expenses.

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



## NET TRANSFERS TO THE COMMONWEALTH PORT FUND

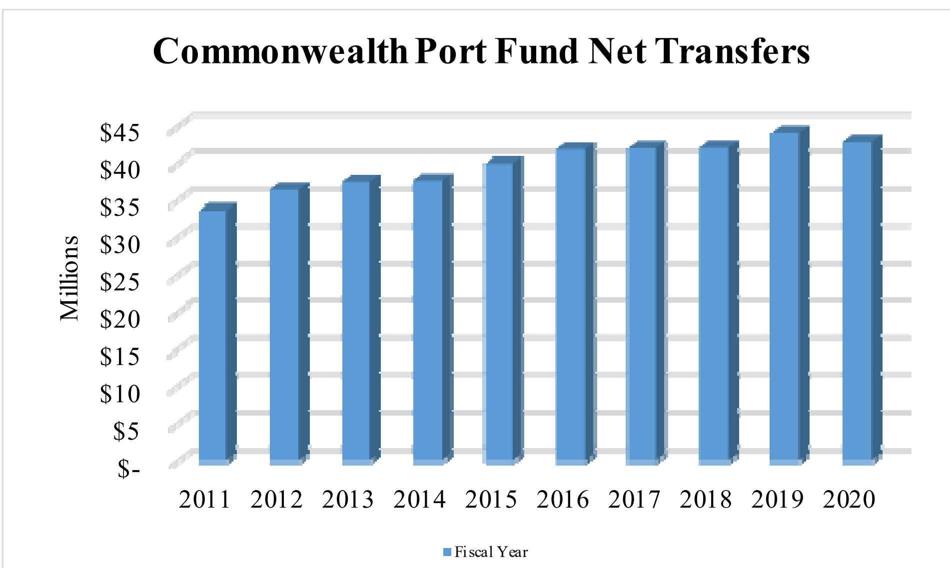
The following table shows the allocation of Transportation Trust Fund revenue to the Port Fund, the interest credited to the Port Fund prior to its transfer to the Income Account under the Authority's Commonwealth Port Fund Revenue Bond Resolution (the "Bond Resolution") net of the expenses charged thereto for the fiscal years 2011 through 2020. The net transfers to the Income Account ("Primary Income") are pledged to the payment of bonds issued under the Bond Resolution.

| Fiscal Year | Allocation[(1)] | (+) | Interest Earned[(2)] | (=) | Net Transfers |
|---|---|---|---|---|---|
| 2011 | $ 33,450,399 | | $ 149,292 | | $ 33,599,691 |
| 2012 | 36,101,349 | | 232,501 | | 36,333,850 |
| 2013 | 37,200,445 | | 228,015 | | 37,428,460 |
| 2014 | 37,340,888 | | 226,124 | | 37,567,012 |
| 2015 | 39,640,666 | | 291,495 | | 39,932,161 |
| 2016 | 41,481,432 | | 277,242 | | 41,758,674 |
| 2017 | 41,450,494 | | 463,675 | | 41,914,169 |
| 2018 | 41,354,873 | | 595,836 | | 41,950,709 |
| 2019 | 43,156,283 | | 863,695 | | 44,019,978 |
| 2020 | 41,850,933 | | 882,068 | | 42,733,001 |

(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.



## DEBT SERVICE DEPOSIT REQUIREMENTS AND COVERAGE

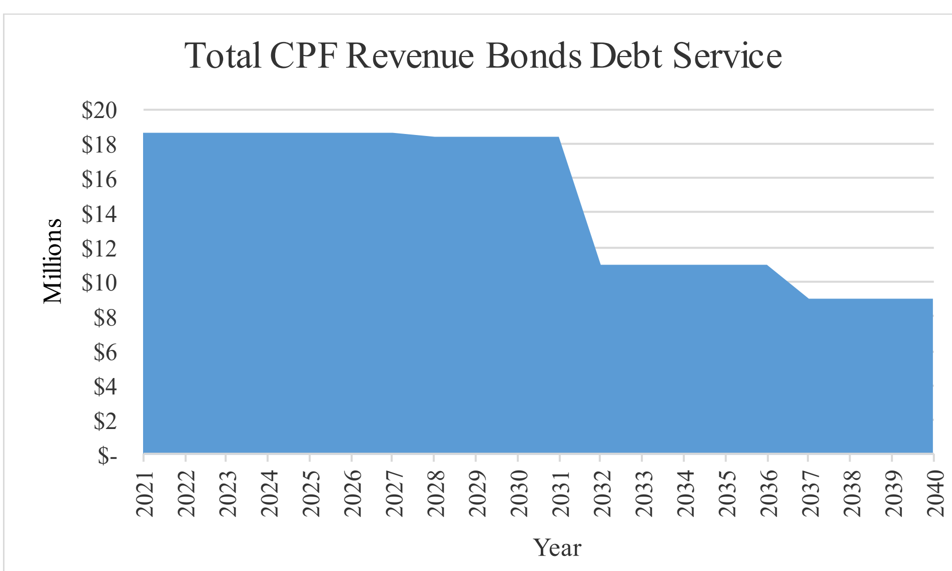
### Debt Service Requirements

The following table sets forth for the fiscal years ending each June 30, the aggregate amounts required to be deposited into debt service accounts in each annual period for payment on January 1 of the interest on, and on the following July 1 of the principal (whether at maturity or pursuant to mandatory redemption) of and interest on the Authority's outstanding Commonwealth Port Fund Revenue Refunding Bonds, Series 2012; outstanding Commonwealth Port Fund Revenue Refunding Bonds, Series 2012B and 2012C; the outstanding Commonwealth Port Fund Revenue Bonds, Series 2015 and the outstanding Commonwealth Port Fund Revenue Refunding Bonds, Series 2018.

| Fiscal Year Ending June 30, | Series 2012 Bonds Debt Service | Series 2012-B Bonds Debt Service | Series 2012-C Bonds Debt Service | Series 2015 Bonds Debt Service | Series 2018 Bonds Debt Service | Total Bonds Debt Service* |
|---|---|---|---|---|---|---|
| 2021 | $ 9,054,463 | $ 3,870,619 | $ 224,150 | $ 2,934,000 | $ 2,502,309 | $ 18,585,541 |
| 2022 | 9,059,515 | 3,865,973 | 224,150 | 2,934,000 | 2,505,784 | 18,589,422 |
| 2023 | 9,052,182 | 3,868,732 | 224,150 | 2,934,000 | 2,503,734 | 18,582,798 |
| 2024 | 9,056,657 | 3,868,225 | 224,150 | 2,934,000 | 2,506,294 | 18,589,326 |
| 2025 | 9,056,269 | 3,868,985 | 224,150 | 2,934,000 | 2,503,294 | 18,586,698 |
| 2026 | 9,054,741 | 3,868,710 | 224,150 | 2,934,000 | 2,504,879 | 18,586,480 |
| 2027 | 9,054,756 | 3,866,680 | 224,150 | 2,934,000 | 2,505,869 | 18,585,455 |
| 2028 | - | 3,867,516 | 224,150 | 9,184,000 | 5,066,381 | 18,342,047 |
| 2029 | - | 3,037,707 | 1,004,150 | 9,241,500 | 5,066,323 | 18,349,680 |
| 2030 | - | - | 4,215,750 | 9,070,500 | 5,059,802 | 18,346,052 |
| 2031 | - | - | - | 9,001,500 | 9,347,229 | 18,348,729 |
| 2032 | - | - | - | 1,599,000 | 9,348,264 | 10,947,264 |
| 2033 | - | - | - | 1,599,000 | 9,344,946 | 10,943,946 |
| 2034 | - | - | - | 1,599,000 | 9,346,609 | 10,945,609 |
| 2035 | - | - | - | 1,599,000 | 9,347,184 | 10,946,184 |
| 2036 | - | - | - | 1,599,000 | 9,346,633 | 10,945,633 |
| 2037 | - | - | - | 9,019,000 | - | 9,019,000 |
| 2038 | - | - | - | 9,018,000 | - | 9,018,000 |
| 2039 | - | - | - | 9,018,500 | - | 9,018,500 |
| 2040 | - | - | - | 9,019,500 | - | 9,019,500 |

* Does not include Refunded Bonds

Debt Service Requirements are shown in the graph below:

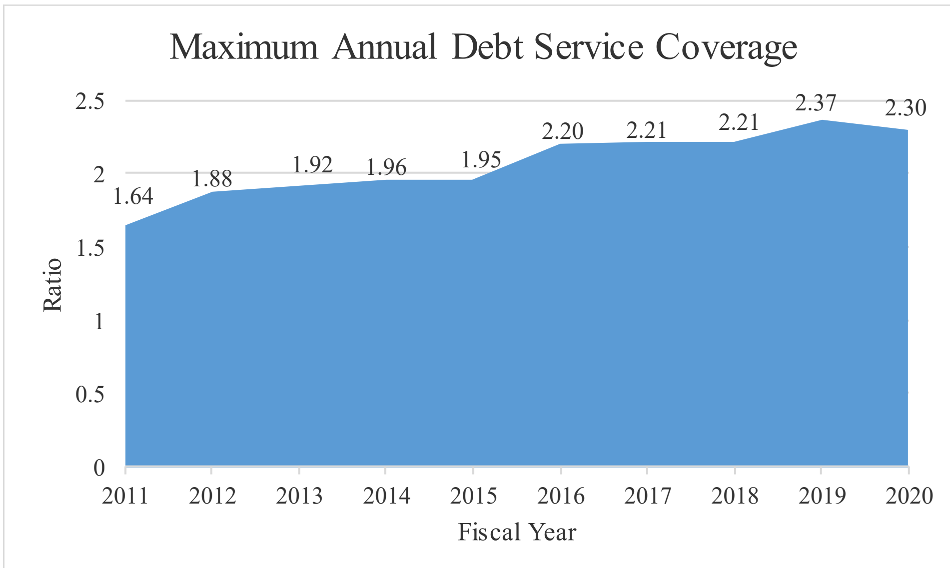


## DEBT SERVICE DEPOSIT REQUIREMENTS AND COVERAGE (Continued)

### Debt Service Coverage

Coverage of maximum annual debt service on the 2012, 2015, and 2018 Bonds by Commonwealth Port Fund Primary Income for the fiscal year ended June 30, 2020 is shown below:

| | | |
|---|---|---|
| Commonwealth Port Fund Primary Income for fiscal year ended June 30, 2020 | $ | 42,733,001 |
| Maximum Annual Debt Service (FY 2022) | | 18,589,422 |
| Pro Forma Maximum Annual Debt Service Coverage | | 2.30 |



# VIRGINIA PORT AUTHORITY TABLE 4

## AUTHORITY REVENUES AND EXPENSES
**Five Year Schedule**
**(Cash Basis)**

| | Fiscal Year June 30, | | | | |
|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 | 2020 |
| Revenues: | | | | | |
| Special Fund | $ 127,743,936 | $ 149,663,484 | $ 150,241,765 | $ 177,489,142 | $ 160,492,249 |
| Commonwealth Port Fund | 41,481,608 | 41,901,281 | 41,950,709 | 42,993,584 | 43,970,285 |
| General Fund and Other | 11,730,181 | 16,354,141 | 17,814,102 | 20,397,159 | 12,816,065 |
| **Total revenues** | 180,955,725 | 207,918,906 | 210,006,576 | 240,879,885 | 217,278,599 |
| Operating expenditures: | | | | | |
| Economic Development Services: | | | | | |
| National and international trade services | 3,453,741 | 3,377,383 | 3,459,954 | 4,400,542 | 3,928,521 |
| Commerce advertising | 352,525 | 642,539 | 868,413 | 600,951 | 739,772 |
| Port Facilities Planning, Maintenance, Acquisition and Construction: | | | | | |
| Maintenance and operation of Port facilities | 11,073,508 | 9,821,794 | 16,836,797 | 14,056,757 | 19,308,946 |
| Port facilities planning | (118) | 235,712 | 496,585 | 319,313 | 4,709 |
| Debt service for Port facilities | 41,141,983 | 37,808,297 | 36,286,762 | 40,298,530 | 38,043,644 |
| Financial Assistance for Port Activities: | | | | | |
| Aid to local ports | 1,684,863 | 708,998 | 1,187,282 | 1,636,924 | 2,185,061 |
| Payment in lieu of taxes | 1,118,955 | 1,518,566 | 1,185,726 | 834,990 | 1,240,718 |
| Administration and Support Services: | | | | | |
| General management and direction | 20,203,715 | 23,351,933 | 20,792,416 | 21,635,943 | 25,180,341 |
| Facility rental | 55,525,236 | 60,006,887 | 72,980,077 | 88,003,262 | 90,483,809 |
| Security services | 9,236,985 | 8,720,740 | 8,921,974 | 11,662,453 | 11,201,122 |
| **Total operating expenditures** | 143,791,393 | 146,192,849 | 163,015,986 | 183,449,665 | 192,316,643 |
| **Funds available for capital projects** | $ 37,164,332 | $ 61,726,057 | $ 46,990,590 | $ 57,430,220 | $ 24,961,956 |

## CARGO DATA

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

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

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Exports: | | | | | |
| Soybeans and products | 844,039 | 822,012 | 1,193,392 | 992,683 | 1,125,101 |
| Wood pulp | 758,466 | 905,411 | 869,404 | 761,463 | 817,174 |
| Logs and lumber | 852,913 | 860,369 | 1,280,448 | 1,703,765 | 784,436 |
| Paper and paperboard | 901,543 | 923,662 | 868,676 | 756,664 | 689,676 |
| Pet and animal feeds | 502,409 | 507,737 | 568,277 | 710,100 | 656,282 |
| Imports: | | | | | |
| Furniture | 583,881 | 725,538 | 852,501 | 910,630 | 867,517 |
| Plastic products | 274,003 | 203,857 | 302,759 | 390,054 | 412,707 |
| Auto parts | 487,757 | 442,302 | 479,020 | 512,542 | 406,515 |
| General cargo | - | - | - | 633,825 | 312,450 |
| Non alcoholic beverages | - | - | - | - | 233,866 |

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

*Source:* Port Import Export Reporting Service

## CARGO DATA (Continued)

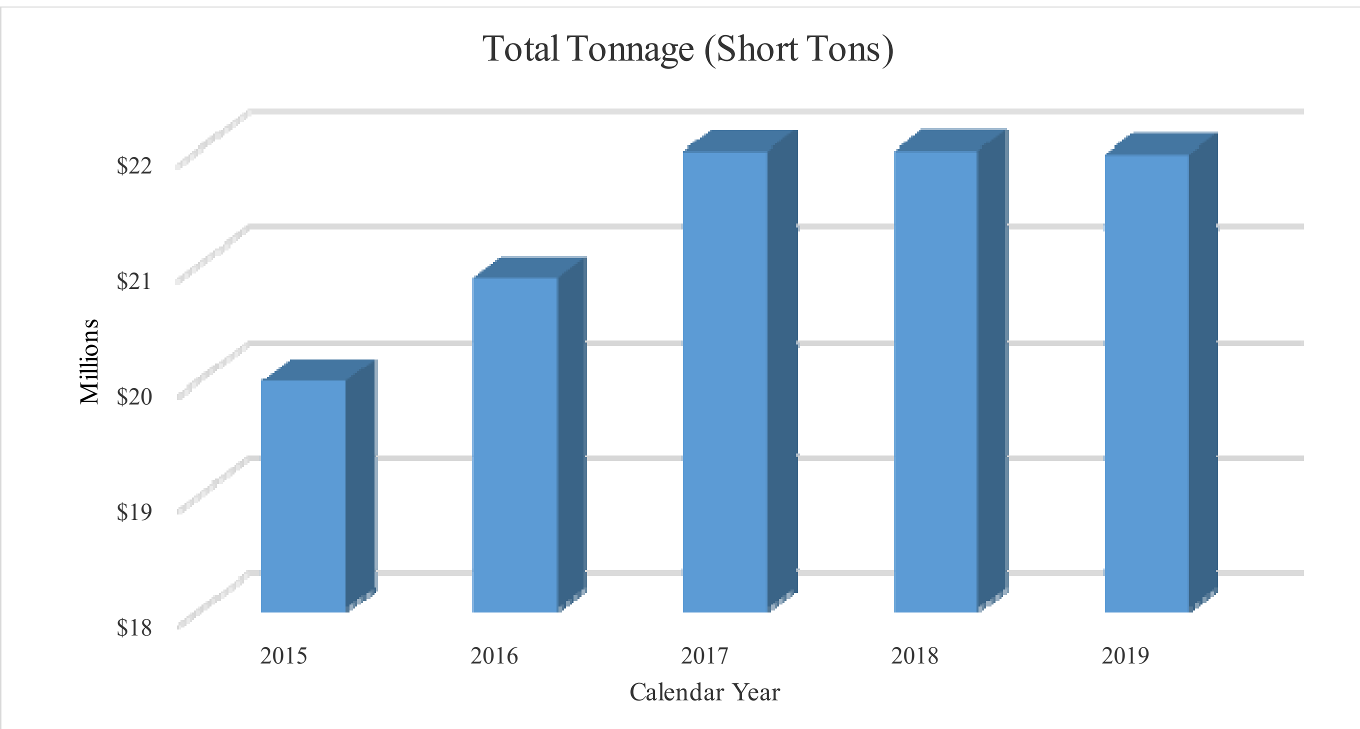
Presented below is information concerning the volume of general cargo handled at all facilities that comprise the Port of Virginia.

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

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Breakbulk | 295,719 | 204,425 | 187,124 | 189,429 | 161,489 |
| Container | 19,681,988 | 20,664,886 | 21,784,594 | 21,785,434 | 21,779,258 |
| **Total tons** | 19,977,707 | 20,869,311 | 21,971,718 | 21,974,863 | 21,940,747 |

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

*Source:* Terminal Operators' Statistics



# VIRGINIA PORT AUTHORITY

# CONTINUING DISCLOSURE AGREEMENT

# ANNUAL REPORT

***(Unaudited)***

**FOR THE**

## FISCAL YEAR ENDED JUNE 30, 2020

PORT FACILITIES REVENUE REFUNDING BONDS,
SERIES 2016A

PORT FACILITIES REVENUE REFUNDING BONDS,
SERIES 2016B

PORT FACILITIES REVENUE REFUNDING BONDS,
SERIES 2016C

BASE CUSIP NUMBER: 928077

# CONTINUING DISCLOSURE AGREEMENT
## ANNUAL REPORT
## Fiscal Year Ended June 30, 2020

Port Facilities Revenue Refunding Bonds, Series 2016A
Port Facilities Revenue Refunding Bonds, Series 2016B
Port Facilities Revenue Refunding Bonds, Series 2016C

## AUTHORITY REVENUES AND EXPENSES
**Five Year Schedule**
**(Cash Basis)**

| | Fiscal Year June 30, | | | | |
|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 | 2020 |
| Revenues: | | | | | |
| Special Fund | $ 127,743,936 | $ 149,663,484 | $ 150,241,765 | $ 177,489,142 | $ 160,492,249 |
| Commonwealth Port Fund | 41,481,608 | 41,901,281 | 41,950,709 | 42,993,584 | 43,970,285 |
| General Fund and Other | 11,730,181 | 16,354,141 | 17,814,102 | 20,397,159 | 12,816,065 |
| **Total revenues** | 180,955,725 | 207,918,906 | 210,006,576 | 240,879,885 | 217,278,599 |
| Operating expenditures: | | | | | |
| Economic Development Services: | | | | | |
| National and international trade services | 3,453,741 | 3,377,383 | 3,459,954 | 4,400,542 | 3,928,521 |
| Commerce advertising | 352,525 | 642,539 | 868,413 | 600,951 | 739,772 |
| Port Facilities Planning, Maintenance, Acquisition and Construction: | | | | | |
| Maintenance and operation of Port facilities | 11,073,508 | 9,821,794 | 16,836,797 | 14,056,757 | 19,308,946 |
| Port facilities planning | (118) | 235,712 | 496,585 | 319,313 | 4,709 |
| Debt service for Port facilities | 41,141,983 | 37,808,297 | 36,286,762 | 40,298,530 | 38,043,644 |
| Financial Assistance for Port Activities: | | | | | |
| Aid to local ports | 1,684,863 | 708,998 | 1,187,282 | 1,636,924 | 2,185,061 |
| Payment in lieu of taxes | 1,118,955 | 1,518,566 | 1,185,726 | 834,990 | 1,240,718 |
| Administration and Support Services: | | | | | |
| General management and direction | 20,203,715 | 23,351,933 | 20,792,416 | 21,635,943 | 25,180,341 |
| Facility rental | 55,525,236 | 60,006,887 | 72,980,077 | 88,003,262 | 90,483,809 |
| Security services | 9,236,985 | 8,720,740 | 8,921,974 | 11,662,453 | 11,201,122 |
| **Total operating expenditures** | 143,791,393 | 146,192,849 | 163,015,986 | 183,449,665 | 192,316,643 |
| **Funds available for capital projects** | $ 37,164,332 | $ 61,726,057 | $ 46,990,590 | $ 57,430,220 | $ 24,961,956 |

## VIRGINIA INTERNATIONAL TERMINALS, LLC REVENUES AND EXPENSES
## Five Year Schedule

| | Fiscal Year June 30, | | | | |
|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 | 2020 |
| Revenues: | | | | | |
| Operating | $ 439,087,836 | $ 478,618,874 | $ 521,072,730 | $ 551,236,042 | $ 496,258,411 |
| Nonoperating | 70,380 | 2,706 | (24,023) | 256,365 | 393,928 |
| **Gross revenues** | 439,158,216 | 478,621,580 | 521,048,707 | 551,492,407 | 496,652,339 |
| Expenses: | | | | | |
| Operating and maintenance expenses | 275,590,553 | 297,757,567 | 333,005,963 | 341,546,651 | 321,288,341 |
| Administrative expenses | 42,808,794 | 45,728,413 | 47,269,593 | 52,796,757 | 40,093,978 |
| **Total expenses** | 318,399,347 | 343,485,980 | 380,275,556 | 394,343,408 | 361,382,319 |
| **Income before transfers**[1] | $ 120,758,869 | $ 135,135,600 | $ 140,773,151 | $ 157,148,999 | $ 135,270,020 |

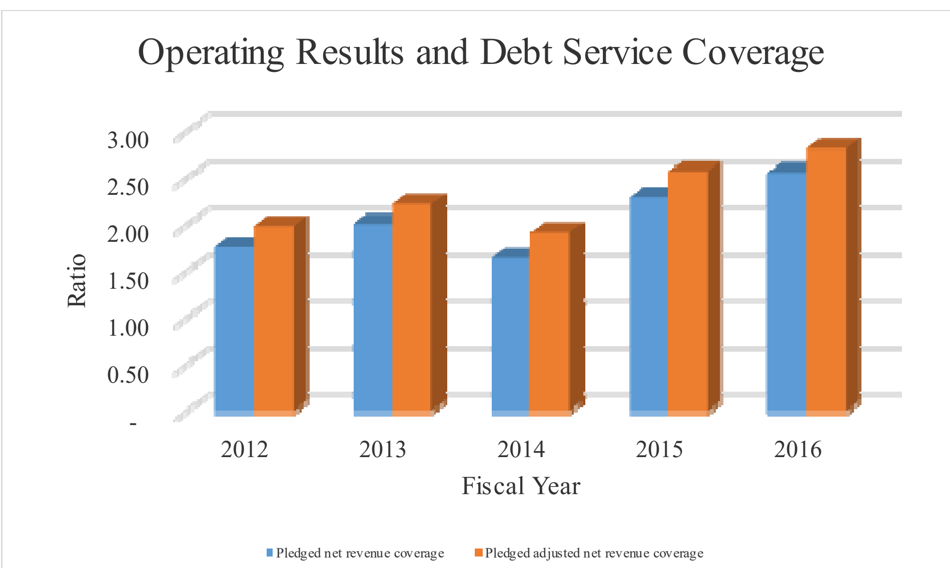
[1] The financial information relative to VIT set forth in this table is computed on an accrual basis. As a result, the amounts set forth in the line item "Income Before Transfers" does not represent net cash transferred by VIT to the Authority. However, such information is a reasonable indication of the financial performance of VIT.

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

**VIRGINIA PORT AUTHORITY** **TABLE 3**

## OPERATING RESULTS AND DEBT SERVICE COVERAGE – Resolution 97-5*

| | Fiscal Year June 30, | | | | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 | 2016 |
| **Virginia International Terminals** | | | | | |
| Gross receipts | $ 285,172,289 | $ 319,328,898 | $ 312,014,454 | $ 356,486,579 | $ 420,225,842 |
| Current expenses | (197,617,574) | (222,110,006) | (223,495,865) | (258,033,599) | (304,119,912) |
| CE reserve withdrawal (deposit) | 1,562,000 | - | 2,595,997 | 3,450,564 | (4,652,679) |
| Deposits to CEMA | (4,701,389) | (4,635,516) | (9,243,097) | (7,215,154) | (8,689,854) |
| Capital asset proceeds (expense) credit | 385,738 | (768,363) | (733,364) | (673,155) | (335,823) |
| **VIT net revenue** | $ 84,801,064 | $ 91,815,013 | $ 81,138,125 | $ 94,015,235 | $ 102,427,574 |
| **Virginia Port Authority** | | | | | |
| Gross revenues: | | | | | |
| VIT net revenue | $ 84,801,064 | $ 91,815,013 | $ 81,138,125 | $ 94,015,235 | $ 102,427,574 |
| Other income | 6,357,859 | 8,881,695 | 6,924,491 | 7,990,753 | 25,310,365 |
| Interest income | 28,359 | 98,956 | 9,066 | 140,228 | 5,998 |
| **Total VPA gross revenues** | 91,187,282 | 100,795,664 | 88,071,682 | 102,146,216 | 127,743,937 |
| Current expenses | (65,269,973) | (70,046,960) | (72,577,974) | (78,801,935) | (93,003,181) |
| **VPA net revenues** | $ 25,917,309 | $ 30,748,704 | $ 15,493,708 | $ 23,344,281 | $ 34,740,756 |
| CPF for O&M | $ 4,032,026 | $ 3,704,328 | $ 4,337,882 | $ 3,764,820 | $ 4,408,734 |
| **Debt Service Coverage** | | | | | |
| Port facilities revenue bonds: | | | | | |
| Net debt service | $ 17,389,491 | $ 17,571,928 | $ 15,113,582 | $ 13,332,637 | $ 16,984,789 |
| Pledged net revenues | 30,618,698 | 35,384,220 | 24,736,804 | 30,559,435 | 43,430,610 |
| Pledged adjusted net revenues | 34,650,724 | 39,088,547 | 29,074,686 | 34,324,255 | 47,839,344 |
| Pledged net revenue coverage | 1.76 | 2.01 | 1.64 | 2.29 | 2.56 |
| Pledged adjusted net revenue coverage | 1.99 | 2.22 | 1.92 | 2.57 | 2.82 |




*This data and chart will continue to be published until we have five years of data under Resolution 16-9

## VIRGINIA PORT AUTHORITY TABLE 4

## OPERATING RESULTS AND DEBT SERVICE COVERAGE – Resolution 16-9*

| | Fiscal Year June 30, 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| **VIRGINIA INTERNATIONAL TERMINALS** | | | | |
| VIT/HRCP II gross receipts | $ 484,493,992 | $ 550,211,505 | $ 589,669,817 | $ 556,625,173 |
| VIT/HRCP II current expenses | (350,770,652) | (421,532,643) | (419,549,635) | (416,717,115) |
| VIT liquidity reserve withdrawal (deposit) | (2,542,503) | 6,060,609 | (10,030,673) | (676,752) |
| One-time cash transfers HRCP II | 5,826,628 | - | - | - |
| VIT CEMA liquidation | 16,061,215 | - | - | - |
| VIT/HRCP II port operator capital expenditures **(A)** | (7,579,357) | (11,046,227) | (6,455,721) | (11,091,346) |
| **VIT/HRCP II payment (per Payment Agreement to VPA)** | 145,489,323 | 123,693,244 | 153,633,788 | 128,139,960 |
| **VIRGINIA PORT AUTHORITY** | | | | |
| Gross revenues: | | | | |
| VIT/HRCP II payment per Payment Agreement | 145,489,323 | 123,693,244 | 153,633,788 | 128,139,960 |
| Other VPA income and interest income | 10,036,848 | 11,185,777 | 15,052,567 | 17,247,283 |
| **Total gross revenues** | 155,526,171 | 134,879,021 | 168,686,355 | 145,387,243 |
| Current expenses: | | | | |
| Terminal expenditures | (26,487,514) | (24,606,069) | (27,837,037) | (27,756,049) |
| Operating lease payments | (17,429,000) | (185,000) | (185,000) | (185,000) |
| **Total current expenses** | (43,916,514) | (24,791,069) | (28,022,037) | (27,941,049) |
| **Net revenue (B)** | 111,609,657 | 110,087,952 | 140,664,318 | 117,446,194 |
| VPA Commonwealth Port Fund used for O & M **(P)** | 7,657,417 | 8,161,526 | 9,975,320 | 10,192,191 |
| VPA Commonwealth Port Fund used for VIG rent **(Q)** | 5,831,000 | 9,996,000 | 9,996,000 | 9,996,000 |
| Revenue stabilization fund balance | 29,082,109 | 39,660,634 | 39,973,130 | 40,115,940 |
| 25% of revenue stabilization fund balance **(D)** | 7,270,527 | 9,915,159 | 9,993,282 | 10,028,985 |
| Net revenue (B) | 111,609,657 | 110,087,952 | 140,664,318 | 117,446,194 |
| Aggregate net revenue **(E)** (E = B + D - A) | 126,459,541 | 131,049,338 | 157,113,321 | 138,566,525 |
| Adjusted net revenue **(F)** (F = B + P + Q) | 125,098,074 | 128,245,478 | 160,635,638 | 137,634,385 |
| Aggregate adjusted net revenue **(G)** (G = F + D - A) | 139,947,958 | 149,206,864 | 177,084,641 | 158,754,716 |
| **DEBT SERVICE COVERAGE** | | | | |
| Senior debt service: | | | | |
| Senior obligations | 42,577,887 | 72,795,077 | 87,818,263 | 90,298,809 |
| Series 2016 Bonds principal and interest requirements | 9,614,006 | 17,536,594 | 17,503,749 | 17,068,203 |
| **Aggregate principal and interest requirements (C)** | $ 52,191,893 | $ 90,331,671 | $ 105,322,012 | $ 107,367,012 |

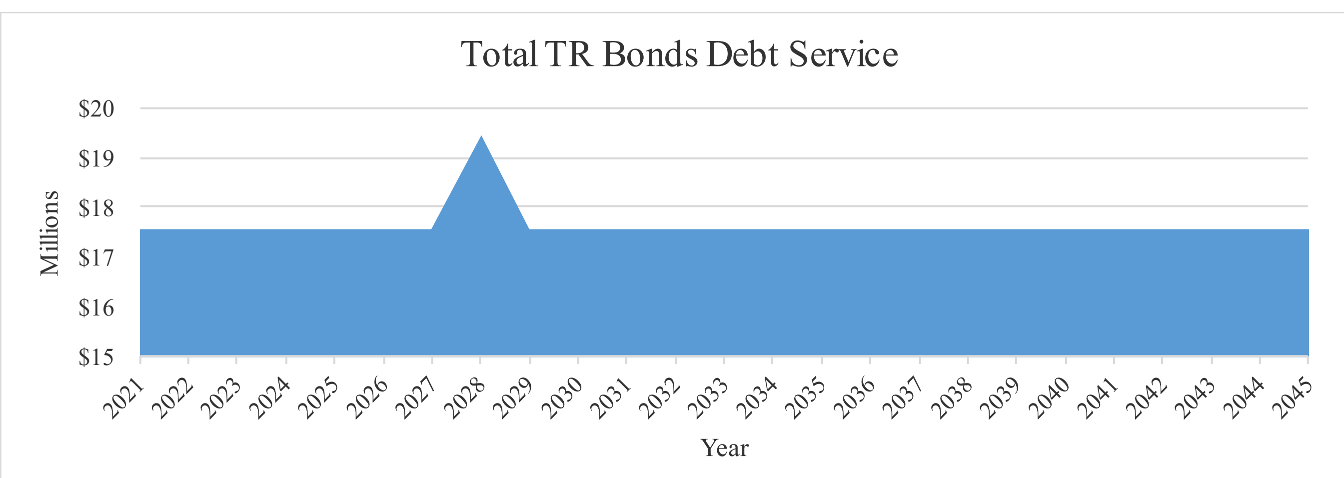
| **Debt Service Coverage** | **Actual 2017** | **Actual 2018** | **Actual 2019** | **Actual 2020** |
|---|---|---|---|---|
| Aggregate net revenue coverage (E/C > 1.1x) | 2.42 | 1.45 | 1.49 | 1.29 |
| Aggregate adjusted net revenue coverage (G/C > 1.25x) | 2.68 | 1.65 | 1.68 | 1.48 |
| Net revenue coverage ((B-A)/C > 1.0x) | 2.28 | 1.34 | 1.40 | 1.20 |

*This data and chart will be expanded to cover five years as the data becomes available.

## DEBT SERVICE DEPOSIT REQUIREMENTS

The following table sets forth for the periods ending each June 30 (the end of the Authority's Fiscal Year) the aggregate amounts required to be deposited into debt service accounts in each annual period for payment on January 1 of the interest on, and on the following July 1 of the principal (whether at maturity or pursuant to mandatory redemption) of and interest on the Authority's outstanding Port Facilities Revenue Refunding Bonds, Series 2016A, Series 2016B and Series 2016C.

| Period Ending June 30, | Series 2016A Debt Service | Series 2016B Debt Service | Series 2016C Debt Service | Total Debt Service |
|---|---|---|---|---|
| 2021 | $ 7,423,106 | $ 6,780,500 | $ 3,334,674 | $ 17,538,280 |
| 2022 | 7,428,860 | 6,775,250 | 3,331,428 | 17,535,538 |
| 2023 | 7,433,513 | 6,775,000 | 3,325,752 | 17,534,265 |
| 2024 | 7,438,649 | 6,774,250 | 3,322,646 | 17,535,545 |
| 2025 | 7,439,511 | 6,777,750 | 3,316,948 | 17,534,209 |
| 2026 | 7,452,166 | 6,775,000 | 3,308,658 | 17,535,824 |
| 2027 | 7,446,067 | 6,776,000 | 3,312,776 | 17,534,843 |
| 2028 | 5,454,616 | 3,820,250 | 10,158,816 | 19,433,682 |
| 2029 | 10,759,616 | 6,775,250 | - | 17,534,866 |
| 2030 | 10,759,259 | 6,777,500 | - | 17,536,759 |
| 2031 | 10,756,949 | 6,777,250 | - | 17,534,199 |
| 2032 | 10,756,945 | 6,779,250 | - | 17,536,195 |
| 2033 | 10,757,704 | 6,778,000 | - | 17,535,704 |
| 2034 | 10,757,894 | 6,778,250 | - | 17,536,144 |
| 2035 | 10,757,090 | 6,779,500 | - | 17,536,590 |
| 2036 | 10,759,871 | 6,776,250 | - | 17,536,121 |
| 2037 | 10,760,602 | 6,773,250 | - | 17,533,852 |
| 2038 | 10,760,723 | 6,775,000 | - | 17,535,723 |
| 2039 | 10,761,291 | 6,775,750 | - | 17,537,041 |
| 2040 | 10,756,633 | 6,780,000 | - | 17,536,633 |
| 2041 | 10,756,303 | 6,777,000 | - | 17,533,303 |
| 2042 | 10,759,404 | 6,776,500 | - | 17,535,904 |
| 2043 | 10,760,040 | 6,777,750 | - | 17,537,790 |
| 2044 | 10,757,541 | 6,780,000 | - | 17,537,541 |
| 2045 | 10,761,234 | 6,772,500 | - | 17,533,734 |



## CARGO DATA

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

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

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Exports: | | | | | |
| Soybeans and products | 844,039 | 822,012 | 1,193,392 | 992,683 | 1,125,101 |
| Wood pulp | 758,466 | 905,411 | 869,404 | 761,463 | 817,174 |
| Logs and lumber | 852,913 | 860,369 | 1,280,448 | 1,703,765 | 784,436 |
| Paper and paperboard | 901,543 | 923,662 | 868,676 | 756,664 | 689,676 |
| Pet and animal feeds | 502,409 | 507,737 | 568,277 | 710,100 | 656,282 |
| Imports: | | | | | |
| Furniture | 583,881 | 725,538 | 852,501 | 910,630 | 867,517 |
| Plastic products | 274,003 | 203,857 | 302,759 | 390,054 | 412,707 |
| Auto parts | 487,757 | 442,302 | 479,020 | 512,542 | 406,515 |
| General cargo | - | - | - | 633,825 | 312,450 |
| Non alcoholic beverages | - | - | - | - | 233,866 |

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

*Source:* Port Import Export Reporting Service

## CARGO DATA (Continued)

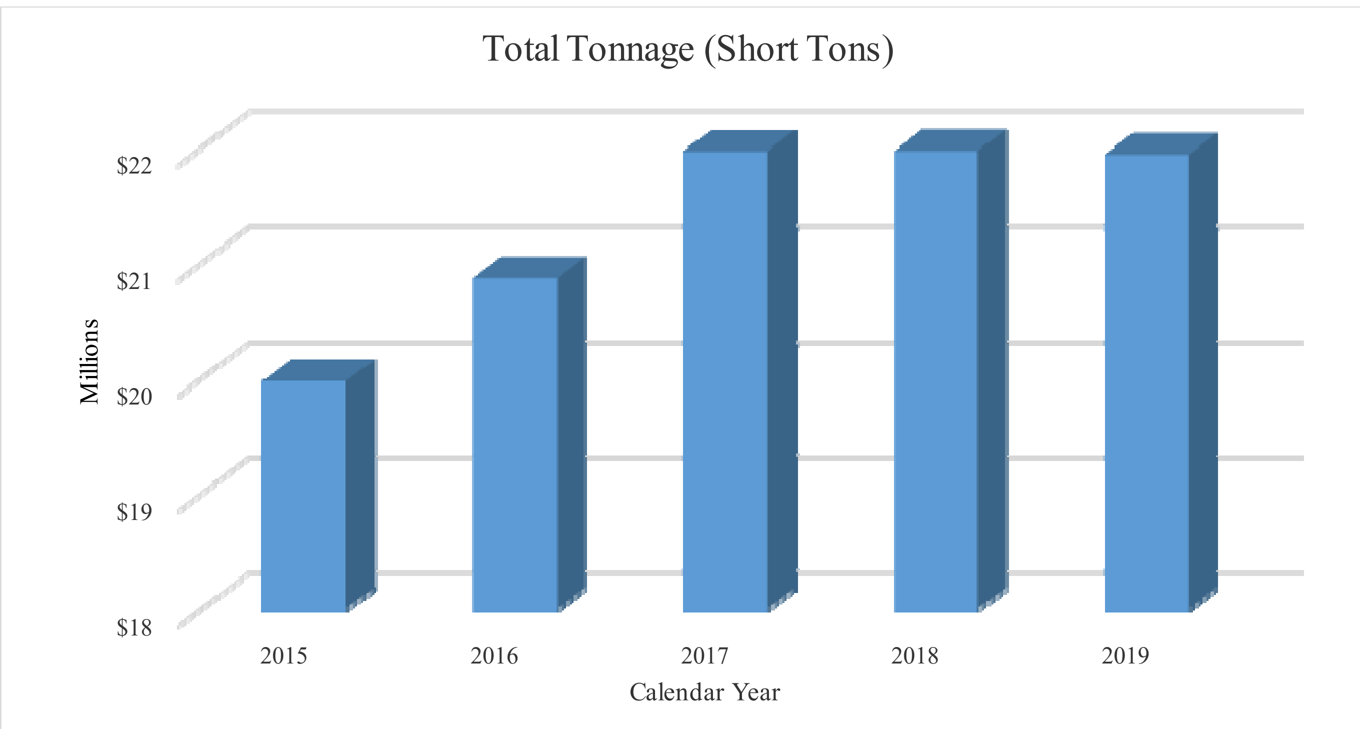
Presented below is information concerning the volume of general cargo handled at all facilities that comprise the Port of Virginia.

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

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Breakbulk | 295,719 | 204,425 | 187,124 | 189,429 | 161,489 |
| Container | 19,681,988 | 20,664,886 | 21,784,594 | 21,785,434 | 21,779,258 |
| **Total tons** | 19,977,707 | 20,869,311 | 21,971,718 | 21,974,863 | 21,940,747 |

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

*Source:* Terminal Operators' Statistics



## VPA/VIT TEN-YEAR CONSOLIDATED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

| | Fiscal Year June 30, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2011 Restated[(1)] | 2012 Restated[(1)] | 2013 Restated[(1)] | 2014 Restated[(1)] | 2015 | 2016 | 2017 Restated[(1)] | 2018 | 2019 | 2020 |
| Operating revenues: | | | | | | | | | | |
| Terminal operating revenues | $ 277,856,791 | $ 297,835,649 | $ 339,460,135 | $ 383,714,148 | $ 451,242,335 | $ 444,444,057 | $ 478,261,207 | $ 522,069,004 | $ 551,236,042 | $ 496,258,411 |
| Other revenues | 6,274,000 | 6,519,292 | 7,970,579 | 7,762,729 | 9,147,626 | 9,339,787 | 10,102,177 | 10,444,816 | 11,186,158 | 10,946,317 |
| Operating revenues - grants | 3,596,326 | 6,283,332 | 4,903,439 | 5,192,084 | 5,295,084 | 6,390,908 | 2,113,617 | 5,534,057 | 5,198,170 | 5,704,423 |
| **Total operating revenues** | 287,727,117 | 310,638,273 | 352,334,153 | 396,668,961 | 465,685,045 | 460,174,752 | 490,477,001 | 538,047,877 | 567,620,370 | 512,909,151 |
| Operating expenses: | | | | | | | | | | |
| Terminal operations | 121,983,405 | 128,782,659 | 153,682,077 | 176,243,834 | 222,664,900 | 209,680,717 | 218,813,211 | 247,513,433 | 251,470,175 | 217,207,852 |
| Terminal maintenance | 54,745,598 | 54,936,881 | 70,958,589 | 92,160,744 | 86,935,700 | 89,883,939 | 94,533,543 | 104,686,862 | 108,678,605 | 112,128,919 |
| General and administrative | 47,905,140 | 51,903,912 | 43,556,452 | 46,063,032 | 36,479,680 | 49,708,682 | 49,656,296 | 52,028,679 | 55,581,726 | 58,476,374 |
| Facility rental | 32,538,640 | 37,063,827 | 47,229,466 | 52,479,613 | 55,679,447 | 55,618,729 | 17,429,000 | 396,370 | 1,451,058 | 1,681,651 |
| Depreciation and amortization | 50,630,851 | 49,271,899 | 47,979,055 | 46,612,042 | 46,648,716 | 47,723,393 | 74,405,644 | 84,271,174 | 86,939,592 | 103,839,332 |
| **Total operating expenses** | 307,803,634 | 321,959,178 | 363,405,639 | 413,559,265 | 448,408,443 | 452,615,460 | 454,837,694 | 488,896,518 | 504,121,156 | 493,334,128 |
| **Operating income (loss)** | (20,076,517) | (11,320,905) | (11,071,486) | (16,890,304) | 17,276,602 | 7,559,292 | 35,639,307 | 49,151,359 | 63,499,214 | 19,575,023 |
| Non-operating revenues (expenses): | | | | | | | | | | |
| Interest income | 1,181,739 | 1,510,827 | 333,654 | 555,518 | 502,056 | 704,381 | 920,012 | 1,368,375 | 4,052,618 | 6,177,222 |
| Interest expense, net of capitalized interest | (18,984,951) | (23,070,738) | (20,531,918) | (16,888,384) | (14,241,006) | (18,365,341) | (88,233,183) | (125,368,889) | (123,516,438) | (125,263,781) |
| Bond issue costs | (538,986) | (734,427) | (917,063) | (69,000) | (1,031,774) | (489,036) | (2,749,482) | (112,864) | (448,452) | (40,658) |
| Revenues (expenses) VEDP, net | - | - | - | - | - | 6,142,660 | 6,791,349 | 3,265,330 | - | - |
| Commonwealth Rail Relocation income (& ARRA) | 2,014,416 | 6,375,798 | 244,424 | - | - | - | - | - | - | - |
| Commonwealth Rail Relocation expenses | (2,272,191) | (6,296,498) | (394,990) | (133,770) | (2,730) | - | - | - | - | - |
| Revenues from federal government | 12,588,643 | 4,612,432 | 3,471,137 | 626,643 | 709,511 | 9,653,436 | 11,988,133 | 785,515 | 7,489,797 | 3,152,063 |
| Revenues (expenses) Commonwealth | (261,468) | (297,267) | (158,628) | 306,335 | - | - | - | - | 3,345,006 | 2,725,029 |
| Other income (expenses) | 8,996 | 8,722 | - | - | 404,983 | (2,802,901) | (2,227,563) | (2,373,008) | (3,216,848) | (3,376,631) |
| Gain (loss) on disposals | 88,879 | (15,266,083) | 708,585 | 2,652 | - | (1,107,131) | (20,574) | (1,768,892) | 744,338 | 271,117 |
| **Income (loss) before capital contributions and transfers** | (26,251,440) | (44,478,139) | (28,316,285) | (32,490,310) | 3,617,642 | 1,295,360 | (37,892,001) | (75,053,074) | (48,050,765) | (96,780,616) |
| Capital contributions and transfers: | | | | | | | | | | |
| Commonwealth Port Fund allocation | 34,717,391 | 36,252,985 | 37,223,718 | 36,652,218 | 38,418,111 | 42,366,884 | 41,469,200 | 41,126,101 | 43,051,489 | 41,922,273 |
| Capital contributions (to) from component unit | - | - | - | 11,000 | - | - | - | - | - | - |
| Payments to federal government - channel dredging | - | - | - | - | - | (5,500,393) | (844,504) | (984,275) | (3,223,890) | (17,402,176) |
| Revenues (expenses) from primary government | - | - | - | - | - | - | 84,661,132 | 54,260,585 | 97,655,819 | 114,048,969 |
| Capital contributions (to) from other state agencies | - | - | - | - | - | 152,861 | - | - | - | - |
| Cumulative effect of changes in accounting principle[(2)] | - | - | (4,564,965) | 12,207,272 | (29,915,563) | - | 6,561 | - | - | - |
| **Increase (decrease) in net position** | 8,465,951 | (8,225,154) | 4,342,468 | 16,380,180 | 12,120,190 | 38,314,712 | 87,400,388 | 19,349,337 | 89,432,653 | 41,788,450 |
| Special item - lease conversion | - | - | - | - | - | - | 13,277,025 | - | - | - |
| **Increase (decrease) in net position after special item** | 8,465,951 | (8,225,154) | 4,342,468 | 16,380,180 | 12,120,190 | 38,314,712 | 100,677,413 | 19,349,337 | 89,432,653 | 41,788,450 |
| Net position - beginning of year | 451,598,449 | 460,064,400 | 451,839,246 | 456,181,714 | 472,561,894 | 484,682,084 | 522,996,796 | 623,674,209 | 643,023,546 | 732,456,199 |
| Net position - end of year | $ 460,064,400 | $ 451,839,246 | $ 456,181,714 | $ 472,561,894 | $ 484,682,084 | $ 522,996,796 | $ 623,674,209 | $ 643,023,546 | $ 732,456,199 | $ 774,244,649 |

(1) Restatements include the adoption of GASB Statement No. 65 in 2014, a prior period adjustment to correct the capitalization of interest costs for periods prior to 2015 and the adoption of GASB Statement No. 75 in 2018.

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

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