THE PORT OF VIRGINIA®

# VIRGINIA PORT AUTHORITY

## Annual Comprehensive Financial Report
## For Fiscal Year ended June 30, 2023

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

100% Clean Energy by 2040 and Carbon Neutral Operations by 2040

# ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE

# VIRGINIA PORT AUTHORITY

A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA

FOR THE

## FISCAL YEAR ENDED JUNE 30, 2023

Prepared by

The Finance Division of the
Virginia Port Authority

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Electric Hustlers delivered & ready for operation at NIT

VIRGINIA PORT AUTHORITY
600 World Trade Center, Norfolk, VA 23510
(757)683-8000

September 1, 2023

Dear Customers, Stakeholders and Port Partners:

The Port of Virginia is pleased to report on a successful fiscal year 2023. The first half of the fiscal year saw a continuation of stronger volumes as a result of pandemic related demand and a normalized volume in the second half. The Port of Virginia delivered operational excellence throughout the fiscal year, and was recognized by certain port users as their highest performing gateway. This is a recognition we celebrated but are determined to further improve our service levels to retain the confidence of the supply chain industry to invest in and use Virginia as their preferred state for business. We are making significant progress towards our goals to improve safety outcomes and decreased lost work days by 26% compared to the prior fiscal year.

Our excellent service was supported with strong financial results, an operating income of $169 million; earnings before interest, taxes, depreciation and amortization (EBITDA) of $368 million and positive cash flow of $398 million. These results are allowing us to reinvest in further improving our capability, capacity and service levels.

Throughout the year, the Port of Virginia has made significant progress on its $1.4 billion Gateway Investment Program, which includes significant improvements to its landside infrastructure as well as the deepening and widening of the Norfolk Harbor and Atlantic Ocean Access channels. These improvements are taking place in concert with the Commonwealth's own infrastructure enhancement projects over the next three years as part of an integrated strategy between the Commonwealth and the Port. Through these combined efforts, the Port is supporting the development of the Hampton Roads region into a premier logistics ecosystem, thereby continuing to attract new developers and third party logistics companies, which will ultimately translate into more beneficial cargo owners moving their goods through our terminals and by extension, the Commonwealth. In order to capture and retain this business, the Port must continue to demonstrate its ability to move cargo quickly, efficiently and safely through its terminals now and into the future. This requires significant investments in the modernization and optimization of its terminal assets, to include the Central Rail Yard Expansion at Norfolk International Terminals (NIT), the Optimization of the North Berth of NIT, additional post-Panamax Ship-to-Shore (STS) Cranes and complimentary berths that are capable of accommodating the largest ships currently sailing. By the end of this capital program, the Port of Virginia will have increased its annual capacity to 5.8 million TEUs and will handle this cargo with a fleet of 152 automated stacking cranes and a total of 31 STS cranes, with 20 of these being capable of servicing the world's largest vessels.

Improvements to the Port's operations are absolutely critical, but we must also allow ourselves to accomplish the objectives of these projects in a safe, sustainable and responsible manner. In keeping with our Core Values, the Port has committed to achieving carbon neutral operations by the year 2040, and in fiscal year 2023, we were able to make significant progress towards this critical task. The most significant of these advancements came through a multi-faceted Power Purchase Agreement with Dominion Energy and the Virginia Department of Energy as well as Rappahannock Electric Cooperative, thereby allowing us to source 100% of operational needs through clean electricity by fiscal year 2025. This level of progress places us well ahead of our current plan, but also far surpasses the progress of any other port in America. In addition to these efforts, the Port also made a number of strides in the area of data security and digitalization, thereby increasing efficiency in the terminal with services such as ProPass and its use of a Digital Twin to ensure efficiencies gained are not diluted by future modifications. In order to protect the port from cyber-attacks, the Port of Virginia deployed its proprietary Cyber Security Operations Center through close collaboration with the United States Coast Guard and other security agencies. Lastly, with safety always top of mind, we have leveraged the use of Artificial Intelligence to support our efforts to reinforce safe behavior patterns while on terminal and minimize the number of reportable events that can occur in this type of environment.

Our on-terminal performance over the past few years, despite a highly dynamic and ever-changing market, has illustrated to cargo owners, ship lines and other stakeholders that the Port of Virginia is ready to handle more cargo and can do so fluidly and efficiently. The agility provided by our unique operating model, the *Virginia Model*, has allowed us to be successful where other terminals have struggled. Lastly, we continue to be innovators in the industry through our use of technology and our commitment to decarbonization through both our power strategy and our continued electrification of older diesel equipment. We believe we are well on our way to developing the Port of Virginia and the surrounding Hampton Roads area as a premier global gateway and logistics ecosystem, and with an economically and environmentally sustainable mindset.

Some of the more notable highlights from the 12 months ended June 30, 2023 include:

**July 2022**

- Aubrey Layne, Jr. is appointed as Board Chairman of the Virginia Port Authority and Faith Power assumes the Vice-Chair position. Layne, having served as Secretary of Transportation and Secretary of Finance for the Commonwealth, takes over as the port is investing $1.4 billion in capital investments aimed at generating more business and being able to accommodate the continuing shift of trade to the US East Coast. The Board also welcomed four new members, as appointed by the Governor with commercial credentials and original contributions to governance and optimization.

**August 2022**

- The Port of Virginia records its second most productive month in its history, handling more than 341,000 TEUs. The marked increase in volumes this month are attributable to new, or reworked, vessel services calling the Port of Virginia.

**January 2023**

- The Port of Virginia posts its most productive calendar year on record, having processed more than 3.7 million TEUs in 2022.
- Virginia International Terminals (VIT) enters into a power purchase agreement with Rappahannock Electric Cooperative to provide the Virginia Inland Port (VIP) 100% of electricity needs from renewable sources.

**February 2023**

- Four, all-electric yard tractors are placed into service at NIT along with the requisite charging infrastructure. These vehicles are the first of their kind to be used at NIT and represent another step forward in the port's overall sustainability and decarbonization efforts.
- The port receives its 21st consecutive *River Star Business Award for Sustained Distinguished Performance* from the Elizabeth River Project as well as an inaugural *Thoroughbred Sustainability Partner Award* from Norfolk Southern. These awards were in recognition of the port's ongoing efforts to become a better steward of the local environment and its contribution to the creation of a greener supply chain.

**March 2023**

- The Port of Virginia announces it will expand its westward reach with a new daily rail service to Memphis, TN. This rail service will provide daily access to Norfolk Southern's regional intermodal terminal just outside of Memphis and represents an important step West and South for the port.

**May 2023**

- A $150 million contract to purchase 36 new electric automated stacking cranes as part of the NIT North Berth Modernization project is fully executed. These cranes are being manufactured by Finland-based Konecranes and will replace the straddle carrier operation currently in use at the North Berth.
- The College of William & Mary releases its updated study measuring the economic impact that the Port of Virginia has on the Commonwealth of Virginia's economy. The study calculated that, in fiscal year 2022, activity related to the port accounted for $63 billion in Virginia gross state product, $41.4 billion in Virginia labor income, 565,000 full- and part-time jobs, and $5.8 billion in state and local taxes and fees.

The Port of Virginia remains a staple element to the economy of the Commonwealth and to the nation, as demonstrated by the results of the 2022 Economic Impact Study by the College of William & Mary. The *Virginia Model* has proven itself, allowing us to provide unmatched performance metrics in a market that is constantly changing. As we continue to leverage our recent infrastructure investments to provide optimum performance to our stakeholders, the Port continues to focus on the demands of the future, ensuring that the capital investments necessary to handle that growth are ready and waiting so that we can achieve our ultimate mission:

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

Sincerely Yours,

Stephen A. Edwards
CEO and Executive Director

THE PORT OF VIRGINIA
VIRGINIA PORT AUTHORITY
600 World Trade Center, Norfolk, VA 23510
(757)683-8000

September 1, 2023

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

Dear Commissioners and Readers of this Report:

The Annual Comprehensive Financial Report (ACFR) of the Virginia Port Authority ("VPA" or "the Authority") for the fiscal year ended June 30, 2023, 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 audit functions, adequately safeguard assets and provide reasonable assurance of properly recorded financial transactions.

The auditors at PBMares, LLP have issued an unmodified opinion on the Authority's financial statements as of and for the year ended June 30, 2023. 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, and operates 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 long-term leases for the use and operation of the Virginia International Gateway Terminal (VIG) and 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 operates the facilities pursuant to its Operating Agreement, as 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 regarding VIT is included 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 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 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 leasing arrangements, long-term debt, capital grants, the allocation of certain revenues collected by the Commonwealth, and cash flow from operations.

Throughout much of fiscal year 2023 (FY2023), the Federal Reserve Bank worked to curb inflation through increases to the federal funds target rate, which reached its highest level in more than 15 years in May 2023. Despite these increases, the Authority was able to leverage its strong operational and financial performance in the bond market in order to achieve net present value savings of $3.2 million on its Commonwealth Port Fund Revenue Refunding Bonds, Series 2023B and a True Interest Cost of 4.15% on its Commonwealth Port Fund Revenue Bonds, Series 2023A, collectively 2023 Series Bonds. Despite industry headwinds, S&P Global Ratings assigned a 'AA+' rating to each of the 2023 Series Bonds, with an outlook of 'Stable'. The Authority is working to provide the most benefit to our citizens and customers at the least cost, and will continuously evaluate financing alternatives to achieve a favorable return. Certain statistical information included in the ACFR was not obtained from the financial records of the Authority but is presented for the user's information and understanding of the Authority and the environment in which the Authority operates.

The 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 innovative and professional measures. 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 collateral economic benefits to the Commonwealth. Annually, port-related business and activity directly and indirectly contribute to Virginia's economy, accounting for more than 565,000 jobs, or $41.4 billion in Virginia labor income, generating more than $124 billion in total spending and creating $5.8 billion in state and local tax revenues. The positive effects of our evolution reverberate throughout Virginia. In FY2023, the port helped drive businesses to invest $750 million resulting in the development of six million square feet of space that is expected to generate more than 3,000 new jobs for Virginians. Our port-centric development approach and partnership with the Virginia Economic Development Partnership (VEDP) is designed to attract businesses that will thrive in proximity to the port's footprint. Household names like Lowes, ZIM, SanMar and MSI 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

Throughout FY2023, the Authority observed container volumes normalizing in comparison to the record volumes experienced for much of fiscal year 2022 (FY2022). While a return to normalcy was not unexpected, the port also noted a change in where containers were originating from, as the entire supply chain resolved to become more resilient to global disruptions through mitigation of its reliance upon a few large market participants. Additionally, the port saw cargo owners reconsidering which terminals are best suited to process their cargo, prioritizing speed to market and reliability over proximity to their physical location. These shifts are presenting opportunities for terminals across the United States East Coast to capture new market share. The port intends to capture this market share through continuous improvement in its ability to efficiently and effectively move cargo through its terminals. Leveraging the controlled and predictable operating tempo currently being experienced, the Authority is preparing for future growth through significant capital investments in NIT, increasing the annual throughput capacity of this terminal by 800,000 containers. Additionally, investments in the Central Rail Yard of NIT are adding more than 30% of highly efficient annual rail capacity, a strategic growth sector for the port. In concert with these capital investments, the Authority is also working to attract new beneficial cargo owners to the Commonwealth through development outside of its gates, recognizing the shift in market trends. The shiplines calling the port's berths are also adapting to changes in the industry, resulting in a marked increase in the number of ultra large container vessels (ULCV's) currently on order. With one of its greatest assets being a naturally deep harbor, the port is addressing this shift through continued efforts to deepen and widen the shipping channels in its Harbor, thereby allowing two-way passage of the largest ships sailing the ocean today. The Port of Virginia's operating model has also allowed the port to remain highly fluid in a very challenging and demanding industry. Its access to a deep harbor, in combination with its operational excellence, make the Port of Virginia a compelling option for the ever-changing flow of global freight traffic.

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 country. The Authority continues to evolve operations to enhance capacity and fluidity to support economic expansion within the Commonwealth. The Authority maintains a formal Investment Management program with the goal of sustaining sufficient liquidity in order to preserve resiliency during periods of cash flow disruption while also making optimal use of the reserves being accumulated, and provide the capability to self-fund capital projects and operating deficits if required. We have been charged to develop The Port of Virginia into the premiere gateway for international cargo transported through the Mid-Atlantic and Mid-West regions of the United States.

## Major Initiatives

During FY2023, the Authority began construction efforts on the next phase of its Capital Gateway Investment program, the densification and modernization of the North Berth of NIT. With an estimated cost of $650 million, this will be the largest single construction project ever undertaken by the Authority. The project will provide the port with an additional throughput capacity of 800,000 containers and, once complete, allow for the same operating leverage now being realized at the South Berth of NIT. Additionally, the Authority is nearing completion of its $90 million expansion of the Central Rail Yard of the same terminal. Concurrent with each of these, the port is also overseeing the redeployment of its multi-use terminal, PMT, as a hub to support Dominion Energy's Coastal Virginia Offshore Wind (CVOW) project and other projects expected to be built along the U.S. East Coast. Construction on this project is expected to be complete by fiscal year 2025, however, a portion of the terminal will become operational in fiscal year 2024, allowing for delivery of various component pieces, which the port will stevedore. The Authority is honored to be a part of this project and in helping to develop the Hampton Roads area, and the Commonwealth of Virginia, as a central hub in this new and fast-growing industry.

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 ULCV's. Project execution remains on schedule, with a 2024 targeted completion date. During FY2023, the Authority was able to continue its dredging efforts in earnest, making significant progress on each of the remaining dredge areas.

## 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 Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022, the seventeenth consecutive year that the Authority has achieved this recognition. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive 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. We believe that the FY2023 report will continue to meet the Program's requirements.

The port was named the second highest performing port in North America in calendar year 2022, as measured by *The Container Port Performance Index 2022*. Globally, the Virginia Port Authority ranked 52 out of 348 of the world's top ports.

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

Respectfully Submitted,

Rodney W. Oliver

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

Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Virginia Port Authority**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO

## VIRGINIA PORT AUTHORITY

Norfolk, Virginia

## BOARD OF COMMISSIONERS

Aubrey L. Layne, Jr., Chair

Faith B. Power, Vice Chair

Shaza L. Andersen
John C. Asbury
James C. Burnett
Michael W. Coleman
Eva Teig Hardy
Maurice A. Jones
John W. Kirk III
Edward F. O'Callaghan
Deborah C. Waters

David L. Richardson, State Treasurer
(ex-officio member of the Board)

Jason El Koubi, President and Chief Executive Officer, Virginia Economic Development Partnership

## APPOINTED OFFICIALS

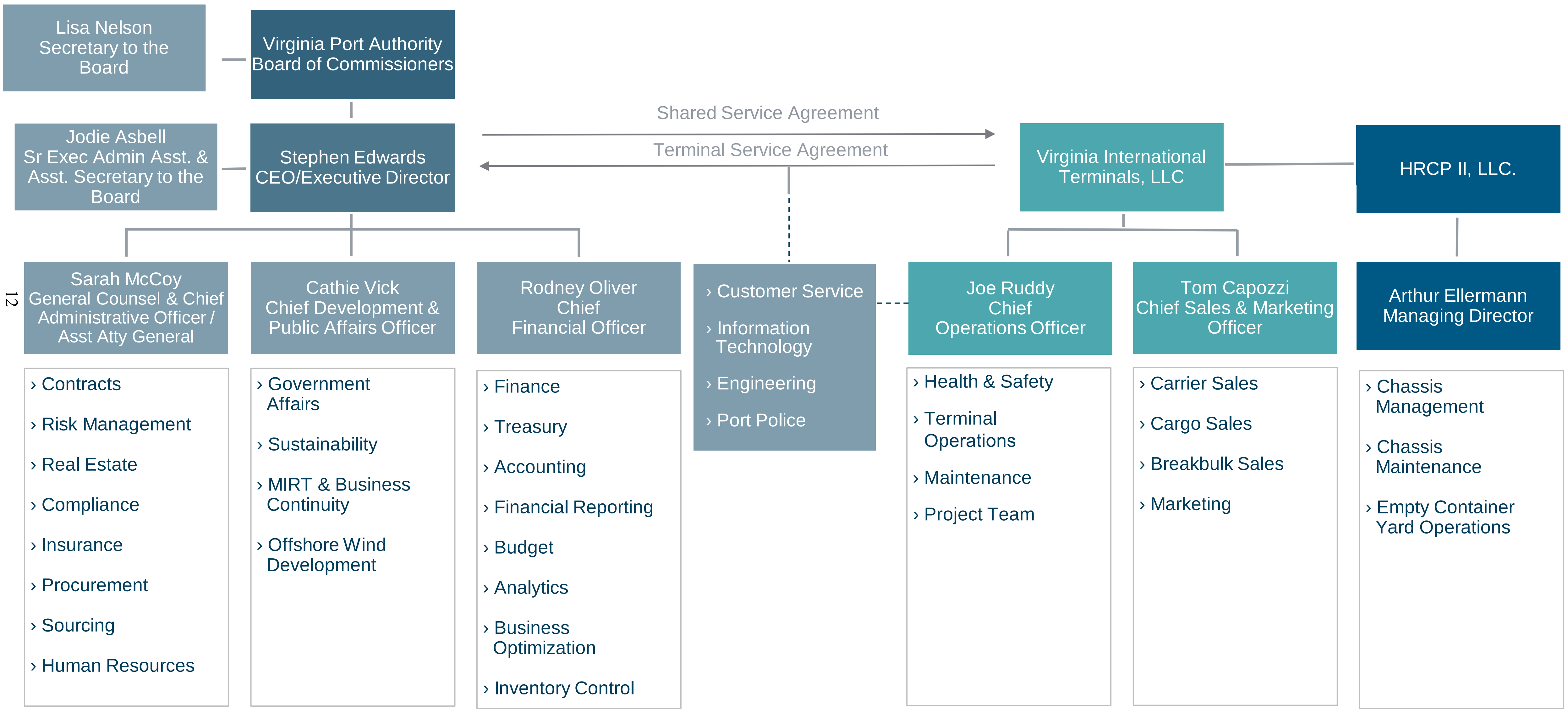
Stephen A. Edwards, CEO and Executive Director

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

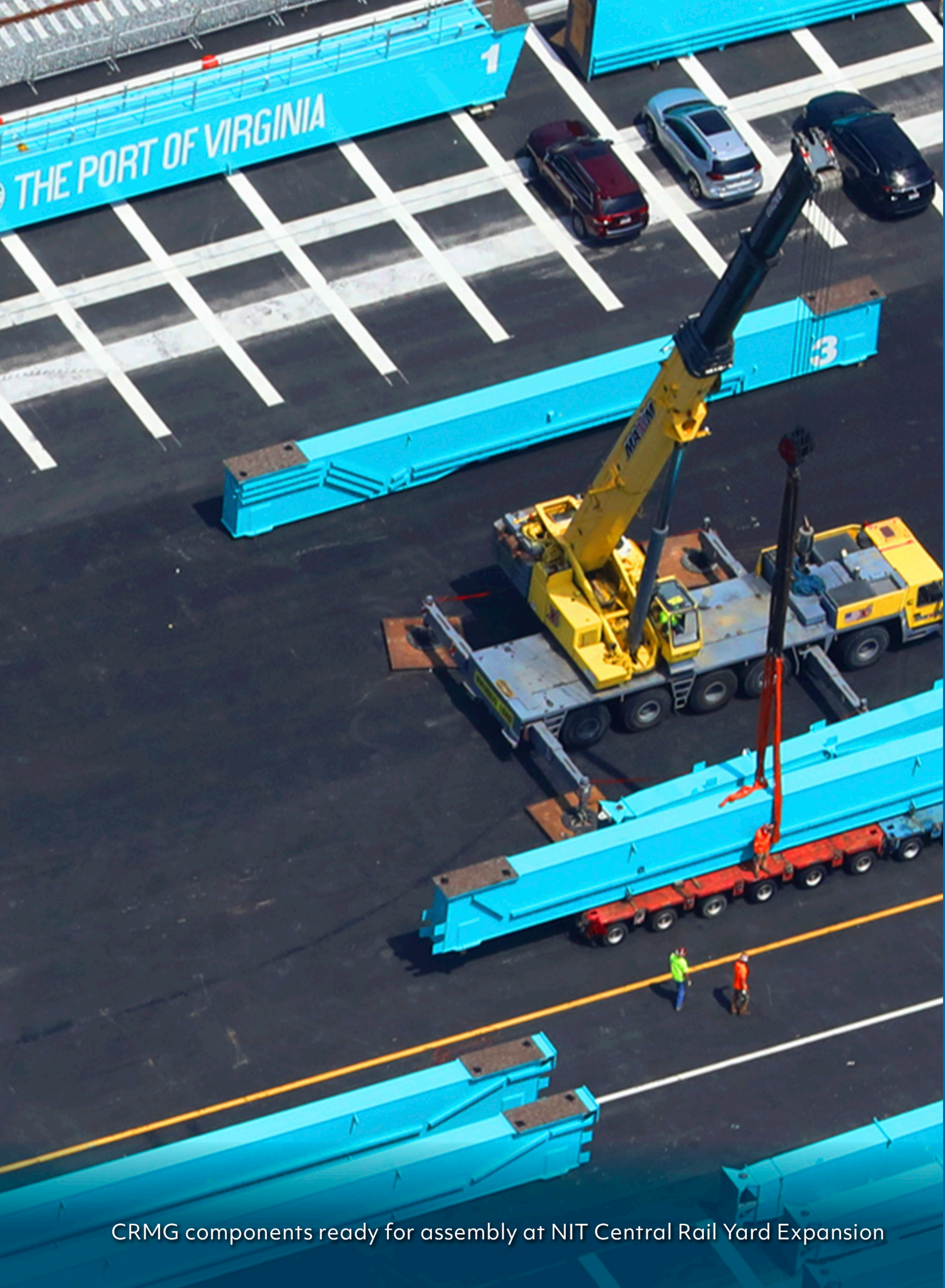
Lisa S. Nelson, Secretary to the Board

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

# The Port of Virginia Organizational Chart



FINANCIAL SECTION




CRMG components ready for assembly at NIT Central Rail Yard Expansion

PBMares
CPAs and Consultants

## INDEPENDENT AUDITOR'S REPORT

The Honorable Glenn Youngkin
Governor of Virginia

The Honorable Janet D. Howell
Chair, Joint Legislative Audit
and Review Commission

The Board of Commissioners
Virginia Port Authority

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the financial statements of the business-type activities and fiduciary activity of the Virginia Port Authority (Authority), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activity of the Authority, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), 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. Our responsibilities under those standards and specifications are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information on pages 17-27 and 80-84, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

### *Supplementary 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 supplementary information on pages 86-87 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### *Other Information*

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory section, statistical section, and compliance section as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2023 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 the effectiveness of the Authority's 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 Authority's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia
September 1, 2023

# VIRGINIA PORT AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
## YEAR ENDED JUNE 30, 2023

## (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, 2023 (FY2023), with selected comparative information for the Fiscal Year ended June 30, 2022 (FY2022). It should be read in conjunction with the Authority's accompanying financial statements and 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. Unless explicitly indicated otherwise, all dollar amounts herein are expressed in thousands.

### ABOUT THE AUTHORITY

The Virginia Port Authority was established in 1952 and operates 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. 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. Commissioners serve staggered five-year terms, and may serve a maximum of two consecutive terms.

As a key element of Virginia's economy and link in the national supply chain, the Authority is guided by the following mission statement:

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

### FINANCIAL HIGHLIGHTS

- VPA's net position increased by $218,835 in FY2023 compared to an increase of $163,144 during FY2022. Net position at June 30, 2023 was $1,452,558.
- Operating income for VPA on a comparable basis decreased from $268,054 to $168,607.
- Volume of 1.9 million containers (3.4 million twenty-foot equivalent units, or TEUs) moved through the terminal properties during FY2023, which was 151 thousand containers (7%) fewer than FY2022.
- Liquidity remains strong, with net working capital of $927,770 and a current ratio (current assets divided by current liabilities) of 4.7 at June 30, 2023. Unrestricted cash and investments at June 30, 2023 were $792,812.

## 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 No. 34 reporting model, as mandated by GASB. The purpose of this 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 considers itself 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. Please refer to Note 1 in the accompanying notes to financial statements for a summary of the Authority's significant accounting policies. Following the 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 included as required by GASB Statement No. 84, *Fiduciary Activities*: the Statement of Fiduciary Net Position, and the 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.

### 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, 2023 and 2022, respectively, follows:

**Condensed Summary of Statements of Net Position**

| | 2023 | 2022 | Increase/ (Decrease) |
|---|---|---|---|
| | | *(In Thousands)* | |
| Assets: | | | |
| Current assets | $ 1,181,548 | $ 671,861 | $ 509,687 |
| Capital assets, net | 5,503,711 | 5,318,598 | 185,113 |
| Other noncurrent assets | 447,039 | 269,714 | 177,325 |
| **Total assets** | 7,132,298 | 6,260,173 | 872,125 |
| Deferred outflows of resources | 58,020 | 34,750 | 23,270 |
| **Total assets and deferred outflows of resources** | 7,190,318 | 6,294,923 | 895,395 |
| Liabilities: | | | |
| Current liabilities | 253,778 | 110,028 | 143,750 |
| Noncurrent liabilities | 5,423,347 | 4,880,276 | 543,071 |
| **Total liabilities** | 5,677,125 | 4,990,304 | 686,821 |
| Deferred inflows of resources | 60,635 | 70,896 | (10,261) |
| **Total liabilities and deferred inflows of resources** | 5,737,760 | 5,061,200 | 676,560 |
| Net position: | | | |
| Net investment in capital assets | 474,318 | 429,234 | 45,084 |
| Restricted | 174,253 | 136,866 | 37,387 |
| Unrestricted | 803,987 | 667,623 | 136,364 |
| **Total net position** | $ 1,452,558 | $ 1,233,723 | $ 218,835 |

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current assets increased $509,687 (76%) from year to year. Balances in current cash and cash equivalents and investments increased $525,911 year over year, accounting for most of the overall change in current assets. This increase is attributable to sustained positive operating cash flow throughout the year as well as capital infusions received from external parties in support of ongoing terminal improvement projects. The free cash generated by operations has been used to build additional liquidity in current investments needed to enhance resiliency and maintain funding requirements of pending and ongoing capital investment projects. Offsetting these increases slightly is a decrease to accounts receivable of $24,301, a result of the decrease in revenues and the timing of those revenues. In May and June of fiscal year 2022, VIT experienced record volumes and a record number of containers dwelling on terminal. The end result of this activity was a significantly higher level of receivables at June 30, 2023. Throughout fiscal year 2023, VIT experienced volumes and dwell times at normalized levels, while collections of those revenues remained strong, resulting in lower receivables.

Net capital assets, right-to-use lease assets and subscription assets (the cost of capital assets, less accumulated depreciation and amortization) increased $185,113 over the prior year as the Authority continues to invest in terminal infrastructure modernization and improvements. During the fiscal year, these investments totaled $247,908 and consisted of improvements to transform PMT into an offshore wind hub; optimization of the North Berth of NIT; and continued expansion of NIT's Central Rail Yard. Additionally, investments were made in new ship to shore cranes capable of handling the largest ships calling our terminals and continuing life cycle replacements of its fleet of shuttle trucks and other terminal equipment. The Authority also recognized additional right-to-use lease assets of $134,861, primarily related to VIT's completion of its chassis fleet expansion. These efforts resulted in the on-hire of more than 4,000 new chassis as well as the execution of lease extensions for another 3,562 chassis. Offsetting the increase from these improvements was $198,897 in depreciation and amortization expense. See notes 5, 6 and 12 in the notes to the financial statements for additional discussion.

The increase to other non-current assets is principally the result of increased balances in cash restricted for more than one year and investments with maturities greater than one year of approximately $198,492. As noted previously, the Authority has sought to increase its resiliency to external forces and maintain the ability to sustain current and future funding requirements through strategic replenishment of its investment accounts, both short term and long term. See notes 2 and 3 to the consolidated financial statements for additional discussion. Higher investment balances were partially offset by changes in VIT's net pension asset from FY2022. As a result of unfavorable investment returns experienced during fiscal year 2022, the VIT's pension plans were valued as a net pension liability of $2,454, presented in the comparative statements above as a $19,889 reduction to other assets and a $2,454 increase to noncurrent liabilities. See note 9 in the notes to the financial statements for additional discussion.

The increase to deferred outflows of resources is almost entirely associated with the valuation of the net pension liability resulting from changes to actuarial assumptions; differences in expected and actual experience; and differences between projected and actual investment earnings, the latter of which is driving the majority of the increase, as discussed immediately above. Deferred outflows related to bonds stayed flat year over year, with decreases due to amortization offsetting new deferred amounts resultant from the defeasance of the Authority's Series 2018 Commonwealth Port Fund Revenue Bonds. See notes 6 and 7 to financial statements for additional discussion of bonds and other indebtedness.

## LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

Current liabilities increased by $143,750 when compared to FY2022. The largest contributor to the variance is the net increase to the current portion of unearned revenues of $76,688, which rose sharply in conjunction with the commencement and funding of the PMT Offshore Wind project and the NIT North Optimization project. The PMT Offshore Wind project is primarily funded by Dominion Energy of Virginia (Dominion) and requires Dominion to provide certain funding amounts to the Authority prior to those costs being incurred. The NIT North Optimization project, on the other hand, received $266,000 in funding from the Commonwealth of Virginia, the sum of which will be recognized over the duration of the project, as costs are incurred. The other significant portion of the increase is due to accounts payable (AP) and accrued expenses, which increased $51,743, primarily due to significant construction costs incurred at June 30, 2023 pending payment. The Authority also recorded an additional $5,855 in retainage payable, recognizing its unpaid obligations on certain construction expenses incurred but not yet billed by the contractor. Lastly, as noted above, the Authority recorded a significant amount of right-to-use lease and subscription assets, which require recognition of commensurate lease and subscription liabilities. As a result, the current portion of lease and subscription liabilities increased $6,775.

Noncurrent liabilities at June 30, 2023 increased by $543,071. $244,863 of this increase is attributable to the long-term portion of unearned revenues, which saw a sharp increase in FY2023, as discussed immediately above. Another $153,737 of the increase is attributable to the long-term portion of lease and subscription liabilities, commensurate with its right-to-use lease and subscription asset activity discussed in the Assets section. Lastly, in support of the NIT North Optimization project and in an effort to leverage favorable borrowing conditions, the Authority issued $201,195 in Commonwealth Port Fund Revenue Bonds. $148,520 of the proceeds will be used to fund the costs associated with the NIT North Optimization project while the remaining $52,675 of the proceeds were used to refund the Series 2018 Bonds (Taxable). As a result of this issuance, the Authority's long-term portion of debt increased $144,919.

Additionally, the Authority is carrying $68,883 in debt related to Master Equipment Lease Program arrangements (MELP).

The Authority's debt service reduced principal related to the Revenue Bonds and MELP borrowings by $24,911 during FY2023. The VIG lease liability, including VIG installment purchases increased by $52,535 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 2037). See Note 6 to financial statements for further detail regarding the Authority's long-term indebtedness.

The $10,261 decrease in deferred inflows of resources is attributable to the Authority's revenue leases, with approximately $5,694 of the decrease due to regular amortization of the deferred inflows of resources and approximately $4,593 related to a lessee opting to not exercise its renewal option with the Authority, contrary to management's estimate at the inception of the lease.

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 $45,084, driven by net increases in capital assets (as discussed previously), which were partially offset by increases in related debt and lease liabilities (as discussed previously). 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, which are subject to external restrictions on how they can be used pursuant to the terms of applicable bond resolutions, as well as restrictions or other terms imposed by grantors. The increase in balances at June 30, 2023 is attributable to higher cash balances held by the Commonwealth of Virginia Treasury Department.

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 investments purchased to optimize available cash, contributed to the 20% increase in the FY2023 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, 2023 and 2022, follows:

**Revenues, Expenses, and Changes in Net Position**

| | 2023 | 2022 | Increase/ (Decrease) |
|---|---|---|---|
| | | *(In Thousands)* | |
| Operating revenues | $ 814,766 | $ 897,151 | $ (82,385) |
| Operating expenses | 646,159 | 629,097 | 17,062 |
| **Operating income** | 168,607 | 268,054 | (99,447) |
| Non-operating revenues (expenses), net | (19,543) | (160,678) | 141,135 |
| **Income before capital contributions** | 149,064 | 107,376 | 41,688 |
| Capital contributions: | | | |
| Commonwealth Port Fund allocation | 60,051 | 57,821 | 2,230 |
| Capital transactions with other government agencies, net | 9,720 | (2,053) | 11,773 |
| **Increase in net position** | 218,835 | 163,144 | 55,691 |
| Net position, beginning of year | 1,233,723 | 837,493 | 396,230 |
| Cumulative effect of change in accounting principle | - | 233,086 | (233,086) |
| Net position, end of year | $ 1,452,558 | $ 1,233,723 | $ 218,835 |

Approximately 98% 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.

FY2023 operating revenues decreased $82,385 from FY2022, primarily driven by a 32% ($59,986) decrease in loaded container storage revenue, a direct result of the global supply chain congestion issues easing and fluidity in cargo movement returning to normal levels. In addition to declines in dwell times, the Authority also recognized declines in its container volume of 7%. Consequently, net container unit rate revenues decreased $25,532, representing a 6% overall decline partially mitigated by a higher than normal increase to the Authority's Schedule of Rates driven by high inflation at the beginning of the fiscal year. Additionally, the Authority maintains a fleet of container chassis for short term rental by logistics companies and shippers. For much of fiscal year 2022, the chassis fleet operated with a utilization rate of close to 100% as the number of chassis available for rent became fewer and fewer. As supply chain congestion issues resolved themselves and volumes began to normalize, the Authority also observed utilization rates begin to decline, ultimately resulting in a $6,381 decline in chassis rental revenues. Despite the decline in container volume, the Authority performed 30% more stevedore lifts during FY2023, many of which were subject to a new contract with a shipline. As a result, the revenue declines noted above were offset to an extent by $14,239 in higher stevedoring revenue compared to FY2022. Operating grant revenue decreased by $2,604.

In contrast to the decreases in volume and operating revenues noted above, total operating expenses increased by $17,062, or 3%, in FY2023.

Through significant capital investments in its two largest terminals, NIT and VIG, the Authority has been able to leverage a more predictable and manageable operating cost model than previously experienced prior to the advances in semi-automation. This dynamic means that the Authority's operating results are more sensitive to changes in volume, but has also provided the Authority with positive operating leverage to combat these swings in volume. During FY2023, in response to lower volume-driven revenues, the Authority was able to control its terminal operations expense, despite significant headwinds outside of the Authority's control including inflation, higher labor rates, pension expense and cyber insurance rates. First, it leveraged its world-class safety performance to secure lower workers' compensation insurance rates resulting in savings of more than $7,168. The Authority also closely managed cross terminal container transfers, resulting in lower dray cost of $3,617. Lastly, and perhaps most notably, the Authority was able to scale its operating labor costs and third-party stevedoring expenses through 1) the capture of additional stevedoring market share and 2) managing shift work to lower the number of total and premium hours paid, resulting in lower labor and stevedoring cost of $8,260.

Conversely, the Authority's maintenance expenses increased by $13,419, or 11%. As noted above, investments in the terminals' infrastructure and equipment over the past several years have provided significant operational improvements. However, this has also translated into more complex equipment to maintain. In addition to more complex equipment, external factors such as the rise in the price of steel and other parts, higher labor costs and higher tire prices have also made these repairs more costly on a per unit basis. These factors, coupled with the fact that more than 40% of the asset base maintained by the Authority has fallen out of warranty coverage over the past three years, account for the majority of the noted increase. Other factors impacting terminal maintenance expense include a higher pension expense due to the timing of the valuation of plan assets coinciding with poor market conditions and increases in equipment rental necessary to address extraordinarily long lead times on replacement parts and equipment orders.

General and administrative expenses remained essentially flat in comparison to FY2022. Despite higher costs associated with "normal" inflation, higher pension expense (as discussed previously) and the resumption of marketing and travel efforts, headcount levels and other discretionary spending were managed tightly in order to control costs in this category.

Depreciation and amortization expense increased $6,909 (4%) primarily due to increases associated with right-to-use lease assets and subscription assets. Depreciation and amortization associated with traditional capital assets remained essentially flat year over year.

Net non-operating revenues/expenses were $141,135 favorable to FY2022. Non-operating grant revenues comprise $115,600 of this variance, as the Authority made significant progress during FY2023 on several capital projects that are funded, in part, by federal or state grants as well as contributions received from private entities. The most significant of these projects include the NIT Central Rail Yard Expansion, PMT Offshore Wind Development, and NIT North Optimization. Revenues associated with these projects are recognized as costs qualifying under the applicable grant agreement are incurred. In addition to capital-related revenues, the Authority also recognized a $26,559 increase in its investment income, recovering all of the mark-to-market losses incurred during FY2022 combined with the scheduled investment interest. In addition to increases from pure market adjustments, earnings associated with higher overall investment balances also played a role in the overall increase, as the Authority was able to re-invest large portions of the free cash flows earned as a result of the record volumes and record operating results experienced during FY2022.

Capital contributions from the Commonwealth Port Fund (CPF) – allocations appropriated from the Transportation Trust Fund - are generally restricted in purpose to enhancement/major maintenance of the Authority's terminal facilities through direct reimbursement or service of debt supported by the CPF allocation. The increase of $2,230 from FY2022 is the result of timing regarding the collection of the supporting tax revenues/fees and, while relatively stable in nature on a historical basis, is not controllable by the Authority. Proceeds from the primary government increased most notably due to funding by the Commonwealth of Virginia of $22,900 in new revenue to support the PMT Offshore Wind project, offset in part by timing differences related to channel dredging activity.

**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 FY2023 and FY2022, respectively, follows:

**Cash Flows**

| | 2023 | 2022 | Increase/ (Decrease) |
|---|---|---|---|
| | | *(In Thousands)* | |
| Net cash provided by operating activities | $ 398,030 | $ 429,671 | $ (31,641) |
| Net cash used in non-capital financing activities | (1,748) | (338) | (1,410) |
| Net cash provided by (used in) capital and related financing activities | 307,399 | (154,686) | 462,085 |
| Net cash used in investing activities | (288,733) | (137,426) | (151,307) |
| **Net increase in cash and cash equivalents** | 414,948 | 137,221 | 277,727 |
| Cash and cash equivalents: | | | |
| Beginning of year | 323,676 | 186,455 | 137,221 |
| End of year | $ 738,624 | $ 323,676 | $ 414,948 |

Cash flows provided by operating activities decreased by $31,641 from FY2022. The majority of the Authority's operating cash flow is generated through the operations of its blended component unit – VIT. The decrease is the direct result of the lower volumes and ancillary revenues earned during the year, as previously discussed above. Despite the decreases in revenues, VIT was able to control other variable operating costs to yield cash flow sufficient to meet the Authority's debt service obligations, sustain and fund new and underway capital projects, and maintain its overall liquidity position.

Cash provided by non-capital financing activities were negligible during FY2023 The expenditures associated with this activity are reimbursable by the Commonwealth and the U.S. Army Corps of Engineers, resulting in cash flows that mostly offset against each other, with fluctuations due to timing.

Cash flow related to capital and related financing activities was $462,085 higher, resulting in positive cash flow from these activities compared to a use of cash in FY2022. During FY2023, the Authority began construction, in earnest, on two major capital improvement projects where the Authority is receiving significant funding support from external parties: the PMT Offshore Wind project and the NIT North Optimization project. As part of the funding strategy for the NIT North Optimization project, the Authority sought support from the Commonwealth of Virginia, and received this support through a lump-sum payment of $266,000 at the beginning of the year. In addition to this funding from the Commonwealth, the Authority also issued new Commonwealth Port Fund Revenue Bonds to fund this project, with gross proceeds amounting to $230,147, $59,270 which was used to defease its Series 2018 Revenue bonds. The PMT Offshore Wind project is primarily being funded by the lessee of this portion of the terminal, Dominion, through regular and recurring cash infusions sufficient to cover contractual commitments as incurred; these transfers totaled $80,770 in FY2023. As a result of these, and other ongoing capital projects discussed earlier, overall investment in capital assets increased significantly to $178,838 in FY2023. In addition to the funding sources noted above, the Authority also received $88,811 in support from federal and state agencies, a direct result of the Authority's continued efforts to identify and secure relevant grant monies. Lastly, the Authority expended $8,610 more in facility lease payments related to the VIG Lease, as a result of the abnormally high inflation numbers observed at the end of FY2022.

In FY2023, the Authority used $288,733 in cash related to investing activities, a $151,307 increase over FY2022. Because of the increase in operating cash flows noted above and the ability to secure alternative sources for funding of capital projects, the Authority was able to continue adding to its investment portfolio during the fiscal year after meeting debt service and capital investment requirements. 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, 2023, 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:

- Development of PMT to serve as an Offshore Wind Hub
- Optimization and Modernization of North NIT
- NIT Central Rail Yard Expansion – Infrastructure and Container Handling Equipment
- Ten new Ship-to-Shore Cranes for use at VIG and NIT
- Eleven new Hybrid Shuttle Trucks for VIG and NIT

Further detail of capital asset activities can be found in Note 5 to the financial statements. Additional information related to right-to-use lease assets can be found in Note 5 and Note 6 to the financial statements.

### Debt and Installment Purchase Obligations

At June 30, 2023, the Authority had $5,217,652 in outstanding liabilities related to either bond, installment purchase, or lease liabilities, excluding deferred items. Of this balance, $4,377,233 is in the form of lease liabilities (the two largest being the VIG lease in the amount of $4,146,111, and $210,126 related to chassis lease arrangements). Revenue bonds outstanding consist of $585,600 in Port Facilities revenue bonds and Commonwealth Port Fund revenue bonds issued by the Authority with $42,323 of issuance premiums. Installment purchase liabilities consist of $68,883 in Master Equipment Lease Program (MELP) financing and $143,613 in installment purchase liabilities related to the VIG Phase II Expansion.

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 $280,530 to refund Series 2010, 2015A, 2015B and 2013 Port Facilities Revenue Refunding Bonds, as well as refund the 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 are required to be not 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 are required to be not less than 100% of the sum of the aggregate principal and interest requirements for the applicable bond year. The debt service coverage requirements based on the foregoing criteria were exceeded for FY2023. 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 required 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, and to withstand periods of adversity where operating cash flow may be diminished for an extended period.

Commonwealth Port Fund Revenue bonds issued in 2012, 2020 and 2023 outstanding at June 30, 2023 are supported by the Authority's 2.5% allocation of the Commonwealth of Virginia's Transportation Trust Fund (TTF). The bonds are also backed by a sum sufficient appropriation from the Commonwealth and carry underlying ratings of AA+ from Fitch Ratings, Inc., an AA+ rating from Standard and Poor's, and an Aa1 rating from Moody's Investor Services.

Additionally, as part of its continuing capital investment program, the Authority may elect to finance certain future investments with either Port Facilities Revenue Bonds or Commonwealth Port Fund Revenue Bonds offerings ("new money"), however this will depend on multiple factors such as interest rates, borrowing capacity, cash flow and investment trends, etc.

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

## ECONOMIC AND OTHER FACTORS AND RECENT DEVELOPMENTS

Looking ahead to fiscal year 2024, we expect current trends to continue, with volumes expected to remain essentially flat in comparison to fiscal year 2023. However there are several variables which could negatively impact volume demand. These include, but are not limited to: expectation of a recession in the United States or globally, uncertainty over inflation and associated interest rate increases, geopolitical tensions (i.e. the ongoing war in Ukraine, trade volumes from China), and a normalization of the U.S. East Coast supply chain. However, participants in the global supply chain have learned valuable lessons over the past 18-24 months and are enacting changes to become more resilient to the issues surfaced during that same time frame. Most notably, companies are diversifying the countries from which they source their goods and products, with more cargo originating from Southeast Asia and the Indian sub-continent. Additionally, both importers and exporters are rethinking where their goods are entering or exiting the country and instead leveraging access to efficient rail networks to reduce total transit time, which presents opportunities to organically grow volume.

The Authority's terminals are currently performing at world-class levels, which is sustaining the leverage to control operating cost as well as attract new volume to fill the additional capacity. Expected to become operational in the middle of fiscal year 2024, NIT's Central Rail Yard Expansion project intends to further increase those service levels and reduce operating costs all while adding capacity to a strategic area of growth. The Authority is also leveraging this normalization period to focus on the optimization of the North Berth of NIT, which will provide significant capacity and efficiency enhancements in order to be able to handle anticipated growth.

In FY2022, the Authority executed leases with Dominion and Siemens Gamesa intended to anchor PMT as a hub for the development and deployment of the Commonwealth of Virginia Offshore Wind (CVOW) farm. Preparations are underway for VIT to commence stevedoring the massive component pieces associated with this project, starting in October 2023 and continuing through the duration of the project. The port is proud to participate in this particular endeavor to support reliable renewable energy and expand upon its mission in a way that, as of a few years ago, was not conceived.

Additionally, during FY2023, the Authority extended its commitment to purchase its electricity needs from renewable sources through an agreement with Rappahannock Electric Cooperative. This agreement ensures that the port's operational needs will be 100% sourced by clean electricity sources by fiscal year 2025, well ahead of its original schedule.

Many of the Authority's capital projects, either directly or indirectly through bond issues, are funded from the TTF. The current allocation to VPA is 2.5%, apportioned from a revenue pool consisting of a portion of state sales and use tax, motor vehicle and gas taxes, and other related revenues. From FY2022 to FY2023, the Authority's apportionment in dollars increased from $57,821 to $60,051.

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 from 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 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, 2023***

| | Authority | Virginia International Terminals, LLC | Eliminations | Total Business-Type Activities |
|---|---|---|---|---|
| | *(In Thousands)* | | | |
| **ASSETS** | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | $ 104,417 | $ 30,000 | $ - | $ 134,417 |
| Investments | 302,652 | - | - | 302,652 |
| Restricted assets: | | | | |
| Cash and cash equivalents | 597,624 | - | - | 597,624 |
| Investments | 19,592 | - | - | 19,592 |
| Accounts receivable, net | 2,060 | 47,367 | (56) | 49,371 |
| Due from other governments | 45,320 | - | - | 45,320 |
| Due from related parties | 11,167 | - | (11,167) | - |
| Inventories, net | - | 24,952 | - | 24,952 |
| Prepaid expenses and other | 269 | 4,341 | - | 4,610 |
| Leases receivable, current portion | 1,760 | 1,250 | - | 3,010 |
| **Total current assets** | 1,084,861 | 107,910 | (11,223) | 1,181,548 |
| Noncurrent assets: | | | | |
| Investments | 355,743 | - | - | 355,743 |
| Restricted assets: | | | | |
| Cash and cash equivalents | 6,583 | - | - | 6,583 |
| Investments | 24,557 | - | - | 24,557 |
| Leases receivable, noncurrent portion | 41,637 | 12,771 | - | 54,408 |
| Non-depreciable capital assets | 473,426 | 8,067 | - | 481,493 |
| Depreciable capital assets, net | 900,529 | 28,014 | - | 928,543 |
| Right-to-use lease and subscription assets, net | 3,883,068 | 210,607 | - | 4,093,675 |
| Other noncurrent assets | - | 5,748 | - | 5,748 |
| **Total noncurrent assets** | 5,685,543 | 265,207 | - | 5,950,750 |
| **Total assets** | 6,770,404 | 373,117 | (11,223) | 7,132,298 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | |
| Bond refundings, net | 23,881 | - | - | 23,881 |
| Pensions and OPEB, net | 8,652 | 25,487 | - | 34,139 |
| **Total deferred outflows of resources** | 32,533 | 25,487 | - | 58,020 |
| **Total assets and deferred outflows of resources** | $ 6,802,937 | $ 398,604 | $ (11,223) | $ 7,190,318 |

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

## VIRGINIA PORT AUTHORITY & VIRGINIA INTERNATIONAL TERMINALS, LLC
## STATEMENT OF NET POSITION (CONTINUED)
*June 30, 2023*

| | Authority | Virginia International Terminals, LLC | Eliminations | Total Business-Type Activities |
|---|---|---|---|---|
| | | *(In Thousands)* | | |
| **LIABILITIES** | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued expenses | $ 68,008 | $ 34,295 | $ (56) | $ 102,247 |
| Interest payable | 8,554 | - | - | 8,554 |
| Retainage payable | 5,855 | - | - | 5,855 |
| Long-term debt, current portion | 28,585 | - | - | 28,585 |
| Lease and subscription liabilities, current portion | 1,550 | 24,126 | - | 25,676 |
| Obligations under securities lending | 6,173 | - | - | 6,173 |
| Unearned revenue, current portion | 76,688 | - | - | 76,688 |
| Due to parent member | - | 11,167 | (11,167) | - |
| **Total current liabilities** | 195,413 | 69,588 | (11,223) | 253,778 |
| Noncurrent liabilities: | | | | |
| Long-term debt, noncurrent portion | 811,834 | - | - | 811,834 |
| Lease and subscription liabilities, noncurrent portion | 4,161,207 | 190,350 | - | 4,351,557 |
| Pension and OPEB liabilities, net | 10,311 | 3,091 | - | 13,402 |
| Unearned revenue, noncurrent portion | 244,863 | - | - | 244,863 |
| Other noncurrent liabilities | - | 1,691 | - | 1,691 |
| **Total noncurrent liabilities** | 5,228,215 | 195,132 | - | 5,423,347 |
| **Total liabilities** | 5,423,628 | 264,720 | (11,223) | 5,677,125 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| Bond refundings, net | 79 | - | - | 79 |
| Leases | 32,514 | 12,652 | - | 45,166 |
| Pensions and OPEB, net | 3,249 | 12,141 | - | 15,390 |
| **Total deferred inflows of resources** | 35,842 | 24,793 | - | 60,635 |
| **Total liabilities and deferred inflows of resources** | 5,459,470 | 289,513 | (11,223) | 5,737,760 |
| **NET POSITION** | | | | |
| Net investment in capital assets | 442,106 | 32,212 | - | 474,318 |
| Restricted for: | | | | |
| Debt service | 174,253 | - | - | 174,253 |
| Unrestricted | 727,108 | 76,879 | - | 803,987 |
| **Total net position** | 1,343,467 | 109,091 | - | 1,452,558 |
| **Total liabilities, deferred inflows of resources, and net position** | $ 6,802,937 | $ 398,604 | $ (11,223) | $ 7,190,318 |

*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, 2023***

| | Authority | Virginia International Terminals, LLC | Eliminations | Total Business-Type Activities |
|---|---|---|---|---|
| | | *(In Thousands)* | | |
| Operating revenues: | | | | |
| Terminal operating revenues | $ - | $ 796,269 | $ - | $ 796,269 |
| Other operating revenues | 17,314 | (318) | - | 16,996 |
| Other revenues - grants, federal and state | 1,501 | - | - | 1,501 |
| Operating revenues from component unit | 325,836 | - | (325,836) | - |
| **Total operating revenues** | 344,651 | 795,951 | (325,836) | 814,766 |
| Operating expenses: | | | | |
| Terminal operations | 756 | 252,319 | - | 253,075 |
| Terminal maintenance | 5,126 | 128,669 | - | 133,795 |
| General and administrative | 16,430 | 39,389 | - | 55,819 |
| Facility rental | 4,573 | - | - | 4,573 |
| Depreciation and amortization | 164,941 | 33,956 | - | 198,897 |
| Operating payments to Authority | - | 325,836 | (325,836) | - |
| **Total operating expenses** | 191,826 | 780,169 | (325,836) | 646,159 |
| **Operating income** | 152,825 | 15,782 | - | 168,607 |
| Non-operating revenues (expenses): | | | | |
| Investment income, net | 23,207 | 1,471 | - | 24,678 |
| Interest expense | (171,059) | (5,647) | - | (176,706) |
| Revenue from federal sources | 25,821 | - | - | 25,821 |
| Revenues from state sources | 43,717 | - | - | 43,717 |
| Revenues from private sources | 66,026 | - | - | 66,026 |
| Other expenses | (2,802) | - | - | (2,802) |
| Gain (loss) on disposals | (534) | 257 | - | (277) |
| **Total non-operating expenses, net** | (15,624) | (3,919) | - | (19,543) |
| **Income before capital contributions** | 137,201 | 11,863 | - | 149,064 |
| Capital contributions: | | | | |
| Commonwealth Port Fund allocation | 60,051 | - | - | 60,051 |
| Payment to federal government - channel dredging | (66,366) | - | - | (66,366) |
| Capital contributions from (to) component unit | 638 | (638) | - | - |
| Proceeds from primary government | 76,086 | - | - | 76,086 |
| **Increase in net position** | 207,610 | 11,225 | - | 218,835 |
| Net position, beginning of year | 1,135,857 | 97,866 | - | 1,233,723 |
| Net position, end of year | $ 1,343,467 | $ 109,091 | $ - | $ 1,452,558 |

*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, 2023***

| | Authority | Virginia International Terminals, LLC | Eliminations | Total Business-Type Activities |
|---|---|---|---|---|
| | | *(In Thousands)* | | |
| Cash flows from operating activities: | | | | |
| Receipts from customers and users | $ 383,191 | $ 822,537 | $ (388,119) | $ 817,609 |
| Receipts from operating grants | 2,802 | - | - | 2,802 |
| Reimbursement from (to) component unit | 24,526 | (24,526) | - | - |
| Other receipts | 17,314 | - | - | 17,314 |
| Payments for operating expenses | (18,619) | (139,553) | - | (158,172) |
| Payments to employees | (28,361) | (253,162) | - | (281,523) |
| **Net cash provided by operating activities** | 380,853 | 405,296 | (388,119) | 398,030 |
| Cash flows from noncapital financing activities: | | | | |
| Transfer from (to) primary government | 73,526 | (388,119) | 388,119 | 73,526 |
| Payments for channel dredging activity | (75,274) | - | - | (75,274) |
| **Net cash used in noncapital financing activities** | (1,748) | (388,119) | 388,119 | (1,748) |
| Cash flows from capital and related financing activities: | | | | |
| Defeasance deposits | (59,270) | - | - | (59,270) |
| Proceeds from long-term debt | 230,147 | - | - | 230,147 |
| CPF contribution | 60,781 | - | - | 60,781 |
| Acquisition of capital assets | (178,838) | (6,230) | - | (185,068) |
| Payments made on VIG lease liabilities | (103,962) | - | - | (103,962) |
| Principal paid on other lease liabilities | (1,454) | (23,602) | - | (25,056) |
| Interest paid on other lease liabilities | (604) | (5,647) | - | (6,251) |
| Principal paid on long-term debt | (27,830) | - | - | (27,830) |
| Interest paid on long-term debt | (21,296) | - | - | (21,296) |
| Issuance costs | 43 | - | - | 43 |
| Transfer from primary government | 273,861 | - | - | 273,861 |
| Net transfers from other state, federal or other private agencies | 88,811 | - | - | 88,811 |
| Funding, offshore wind | 80,770 | - | - | 80,770 |
| Proceeds from sale of capital assets | 249 | 1,470 | - | 1,719 |
| **Net cash provided by (used in) capital and related financing activities** | 341,408 | (34,009) | - | 307,399 |
| Cash flows from investing activities: | | | | |
| Proceeds from sales and maturities | 873,344 | - | - | 873,344 |
| Purchases of investments | (1,182,382) | - | - | (1,182,382) |
| Interest received and other | 19,810 | 495 | - | 20,305 |
| **Net cash provided by (used in) investing activities** | (289,228) | 495 | - | (288,733) |
| **Net increase (decrease) in cash and cash equivalents** | 431,285 | (16,337) | - | 414,948 |
| Cash and cash equivalents, beginning of year | 277,339 | 46,337 | - | 323,676 |
| Cash and cash equivalents, end of year | $ 708,624 | $ 30,000 | $ - | $ 738,624 |

*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, 2023***

| | Authority | Virginia International Terminals, LLC | Eliminations | Total Business-Type Activities |
|---|---|---|---|---|
| | | *(In Thousands)* | | |
| Reconciliation of operating income to net cash provided by operating activities: | | | | |
| Operating income | $ 152,825 | $ 15,782 | $ - | $ 168,607 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | |
| Payments to Authority | - | 325,836 | (325,836) | - |
| Depreciation and amortization | 164,941 | 33,956 | - | 198,897 |
| Other income | 4,770 | 977 | - | 5,747 |
| Change in assets, deferred outflows and inflows of resources and liabilities: | | | | |
| Accounts receivable | 1,136 | 26,271 | - | 27,407 |
| Inventories | - | (5,209) | - | (5,209) |
| Due from related parties | 62,308 | 473 | (62,308) | 473 |
| Prepaid expenses and other | 642 | (1,109) | - | (467) |
| Leases receivable | (2,376) | 1,076 | - | (1,300) |
| Accounts payable and other accrued expenses | (1,738) | 5,433 | - | 3,695 |
| Due to VPA | - | (25) | 25 | - |
| Deferred inflows - leases | (2,412) | (1,738) | - | (4,150) |
| Deferred outflows of resources - defined benefit plans | 757 | 3,573 | - | 4,330 |
| **Net cash provided by operating activities** | $ 380,853 | $ 405,296 | $ (388,119) | $ 398,030 |
| | | | | |
| Supplemental Schedule of Non-cash Operating Activity: | | | | |
| Leases receivable | $ (6,083) | $ (649) | $ - | $ (6,732) |
| Deferred inflows of resources - leases | 6,083 | 649 | - | 6,732 |
| | | | | |
| Supplemental schedule of Non-cash Capital and Related Financing Activity: | | | | |
| Capital contribution to VPA | $ 638 | $ (638) | $ - | $ - |
| Capital asset additions purchased on account | 66,020 | - | - | 66,020 |
| Right-to-use lease and subscription assets | (4,921) | (133,033) | - | (137,954) |
| Lease and subscription liabilities | 4,921 | 133,033 | - | 137,954 |

*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, 2023***

| | | |
|---|---|---|
| | | *(In Thousands)* |
| **ASSETS** | | |
| Investments held in trust at fair value: | | |
| Short-term bond funds | $ | 3,895 |
| Long-term bond funds | | 9,271 |
| Core plus bond funds | | 43,246 |
| Common and preferred stock funds | | 40,228 |
| Other mutual funds | | 33,176 |
| **Total assets** | | 129,816 |
| **NET POSITION** | | |
| Restricted for: | | |
| Pension benefits | | 129,816 |
| **Total net position** | $ | 129,816 |

*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, 2023***

| | | *(In Thousands)* |
|---|---|---|
| Additions: | | |
| Employer contributions | $ | 2,159 |
| Investment income | | 9,878 |
| Payment credits | | 46 |
| **Total additions** | | 12,083 |
| Deductions: | | |
| Benefit payments and transfers | | 8,404 |
| Risk transfer payment | | 16,164 |
| **Total deductions** | | 24,568 |
| **Change in net position** | | (12,485) |
| Net position, beginning of year | | 142,301 |
| Net position, end of year | $ | 129,816 |

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

***Unless explicitly indicated otherwise, all dollar amounts herein are expressed in thousands***

## 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, LLC (VIT) and its wholly-owned subsidiary, Hampton Roads Chassis Pool II, LLC (HRCP), operate the terminal facilities for VPA. VIT is a single-member limited liability company registered in Virginia with VPA as the sole member. As a result, the Authority has determined that 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 discretely presented component unit of the Commonwealth. A separate report is prepared for the Commonwealth, which includes all agencies, boards, commissions, and authorities meeting the discretely presented component unit definition. The Authority is financially accountable to the Commonwealth, or has a relationship with the Commonwealth such that exclusion would cause the Commonwealth's financial statements to be misleading. The Authority serves or benefits those outside of the Commonwealth.

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 are based on activity for the year ended June 30, 2023. 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.

The Appropriations Act as enacted by the General Assembly of Virginia established the Authority's budget for the year ended June 30, 2023. No payments can be made out of the state treasury except in pursuance of appropriations made by law.

### 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, 2023 for the Authority. VIT utilizes the allowance method for doubtful accounts. Accounts receivable are shown net of the allowance for doubtful accounts of approximately $7,652 as of June 30, 2023 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 not be collected.

**G. Inventories**

Inventories of VIT consist of supplies and equipment parts and are reported using the moving average unit cost method. An inventory allowance has been established for parts identified as obsolete or to be disposed of. The VIT allowance for inventory totaled approximately $2,998 at June 30, 2023.

**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, custodian, and actuary.

**I. Capital Assets**

Capital assets are generally assets with an initial cost of $5 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, excluding right-to-use lease and subscription assets, which are stated at the present value of certain required lease and subscription payments.

**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 | 5 - 50 years |
| Infrastructure | 4 - 41 years |
| Equipment | 3 - 28 years |

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 is charged to expense as incurred.

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. As of June 30, 2023, the Authority did not have any impaired assets.

**J. Leases**

***Lessee:*** For new or modified contracts, the Authority determines whether the contract is a lease. If a contract is determined to be, or contain, a lease with a non-cancellable term in excess of 12 months (including any options to extend or terminate the lease when exercise is reasonably certain), the Authority records a right-to-use lease asset and lease obligation which is calculated based on the value of the discounted future lease payments over the term of the lease. If the interest rate implicit in the lease is not readily determinable, the Authority will use the applicable incremental borrowing rate in the calculation of the present value of the lease payments.

The Authority is a lessee for non-cancellable leases of certain port facilities, office space, land and equipment. The Authority recognizes a lease liability and right-to-use lease asset on the Statement of Net Position. Leases with an initial, non-cancellable term of 12 months or less are not recorded on the Statement of Net Position and expense is recognized as incurred over the lease term.

At the commencement of a lease, the Authority measures the lease liability at the present value of payments expected to be made during the lease term and then reduces the liability by the principal portion of lease payments made. The right-to-use lease asset is measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs, then amortized on a straight line basis over a period that is the shorter of the lease term or the useful life of similar capital assets. Chassis and terminal equipment have useful lives of no longer than 18 years, with lease terms no longer than 10 years.

Lease payments are apportioned between interest expense and principal based on an amortization schedule calculated using the effective interest method.

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

**J. Leases (Continued)**

***Lessor:*** For new or modified contracts, the Authority determines whether the contract is a lease. If a contract is determined to be, or contain, a lease with a non-cancellable term in excess of 12 months (including any options to extend or terminate the lease when exercise is reasonably certain), the Authority records a lease receivable and a deferred inflow of resources which is calculated based on the value of the discounted future lease payments over the term of the lease. If the interest rate implicit in the lease is not explicit, the Authority may apply the guidance for imputation of interest as a means of determining the interest rate.

The Authority will not recognize a lease receivable and a deferred inflow of resources for leases with a non-cancellable term of less than 12 months, and income is recognized as earned.

The Authority is a lessor for non-cancellable leases of certain real estate and storage facilities. The Authority recognizes a lease receivable and a deferred inflow of resources on the Statement of Net Position.

At the commencement of a lease, the Authority measures the lease receivable as the present value of payments expected to be received during the lease term and then reduces the receivable by the principal portion of lease payments received after satisfaction of accrued interest on the lease receivable, calculated using the effective interest method. The deferred inflow of resources is measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date, then recognized on a straight-line basis as revenue over the lease term.

**K. Subscription Based Information Technology Arrangements (SBITAs)**

The Authority adopted GASB Statement No. 96, *Subscription Based Information Technology Arrangements (SBITAs)*, on July 1, 2022. Beginning adjustments to VIT subscription assets and subscription liabilities did not result in a change to beginning net position.

For new or modified contracts, the Authority determines whether the contract is a SBITA. If a contract is determined to be, or contain, a SBITA with a non-cancellable term in excess of 12 months (including any options to extend or terminate the subscription when exercise is reasonably certain), the Authority records a subscription asset and subscription obligation which is calculated based on the value of the discounted future subscription payments over the term of the subscription. If the interest rate implicit in the subscription is not readily determinable, the Authority will use the applicable incremental borrowing rate in the calculation of the present value of the subscription payments.

The Authority recognizes a subscription liability and subscription asset on the Consolidated Statement of Net Position. Subscriptions with an initial, non-cancellable term of 12 months or less are not recorded on the Consolidated Statement of Net Positon and expense is recognized as incurred over the subscription term.

At the commencement of a SBITA, the Authority measures the subscription liability at the present value of payments expected to be made during the subscription term and then reduces the liability by the principal portion of subscription payments made. The subscription asset is measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs, then amortized on a straight line basis over the subscription term.

Subscription payments are apportioned between interest expense and principal based on an amortization schedule calculated using the effective interest method.

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

### L. 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.

### M. Compensated Absences

Employee benefits, including accumulated paid time off (PTO), are accrued as liabilities in the period the benefits are earned. Amounts earned and estimated to be paid during the next fiscal year are reported as current liabilities. The Authority maintains a PTO policy applicable to each calendar year where employees earn PTO at varying rates based on tenure. At the end of each calendar year, any unused PTO up to 40 hours may be carried forward for use within the next six months. At June 30, any remaining prior year earned balances not liquidated at that time will be forfeited. Balances are earned on a quarterly basis but available for use on January 1 each year. Leave used over and above the earned amounts at termination are to be repaid to the Authority. VIT has an identical policy. A summary of the changes in this liability for the Authority and VIT follows:

| | Balance July 1, 2022 | Increases | Decreases | Balance June 30, 2023 |
|---|---|---|---|---|
| | *(In Thousands)* | | | |
| Authority | $ 912 | $ 951 | $ (1,414) | $ 449 |
| Blended Component Unit - VIT | 1,258 | 1,339 | (1,911) | 686 |

### N. Accrued Workers' Compensation – Blended Component Unit - VIT

Since 1999, VIT participates in a workers' compensation insurance pool and shares risk with other members of the 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, the date on which it became a member.

Included in accrued expenses for these legacy claims 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 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, 2023. VIT expects to pay assessments annually through 2028. The balance at June 30, 2023 is classified in accrued expenses as follows (in thousands):

| | |
|---|---|
| Workers' compensation claims and U.S. DOL assessment, current | $ 505 |
| Workers' compensation claims and U.S. DOL assessment, noncurrent | 1,691 |
| **Total** | $ 2,196 |

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

### O. 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.

### P. 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 amounts held for the Authority's future construction and debt service payments. A second component of the Authority's net position reports its net investment in capital assets, which represents the original cost of capital assets, net of accumulated depreciation and amortization and net of any outstanding capital-related debt or unearned but received funding from third parties.

### Q. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense) until consumption. See Notes 6, 9, and 10 for additional detail related to these elements.

In addition to liabilities, the Statement of Net Position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that period. See Notes 6, 9, 10, and 12 for additional detail related to these elements.

### R. Fiduciary Net Position

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 fiduciary net 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. Investments included in the fiduciary net position of the Authority's Retirement Plan are reported at fair value.

#### Pensions - Blended Component Unit - VIT

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 Virginia International Terminals, LLC Pension Plan (VITPP) and additions to/deductions from VITPP's fiduciary net position have been determined on the same basis as they are reported by VITPP. Benefits are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

### S. Pension Liability

Both the Authority's and VIT's stand-alone net pension liability were measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2022 using updated actuarial assumptions, applied to all periods included in the measurement.

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

**T. 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 received from VIT and HRCP 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 costs of services, costs of maintaining its asset base, administrative expenses, rent applicable to short-term leases and depreciation and amortization of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**U. Investment Income**

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

**V. Subsequent Events**

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through September 1, 2023, the date the financial statements were available to be issued.

**W. Recently Issued Accounting Pronouncements**

At June 30, 2023, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the Authority. The statements which might, or will, impact the Authority are as follows:

GASB Statement No. 99, *Omnibus 2022*, provides guidance to enhance comparability in accounting and financial reporting for derivative instruments, leases, financial guarantees, and a wide range of other accounting and financial reporting issues that have been identified during the implementation and application of certain GASB statements. Certain requirements defined in this Statement have already been implemented by the Authority. The requirements related to GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* will be effective for the Authority beginning with its year ending June 30, 2024.

GASB Statement No. 100, *Accounting Changes and Error Corrections-an amendment of GASB Statement No. 62*, prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections in previously issued financial statements. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. Statement 100 will be effective for the Authority beginning with its year ending June 30, 2024.

GASB Statement No. 101, *Compensated Absences*, provides guidance to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Statement 101 will be effective for the Authority beginning with its year ending June 30, 2025.

The Authority has not yet completed its evaluation of the effect these GASB Statements will have on its financial statements.

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

As of June 30, 2023, 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 $368,454 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, 2023, 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, 2023, these assets aggregated $648,356 with $617,216 classified as current and $31,140 classified as noncurrent based on the purpose for which the assets are restricted.

Current restricted assets consist of:

- $25,967 in cash and investments related to bond debt service payments to be made July 1, 2023;
- $8,663 in cash related to a capital lease payment to be made July 1, 2023;
- $367,554 in cash designated for purposes consistent with appropriations made by the Commonwealth of Virginia;
- $19,592 in cash and investments reserved to secure debt service in future years as required by the Authority's bond covenants; and
- $195,440 in cash designated for major terminal improvement projects.

Noncurrent restricted assets consist of:

- $28,995 in cash and investments reserved to secure debt service in future years as required by the Authority's bond covenants; and
- $2,145 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, 2023, the following shows the segmented time distribution of the Authority's and VIT's cash and cash equivalents and its fair value measurement:

| | Fair Value | Maturities (in Years) Less than 1 |
|---|---|---|
| | *(In Thousands)* | |
| Cash | $ 534,072 | N/A |
| Mutual and Money Market Funds | 21,538 | $ 21,538 |
| U.S. Treasuries | 183,014 | 183,014 |
| **Total** | $ 738,624 | $ 204,552 |

| | Fair Value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| | | *(In Thousands)* | | |
| Cash | $ 534,072 | N/A | $ - | $ - |
| Mutual and Money Market Funds | 21,538 | $ 21,538 | - | - |
| U.S. Treasuries | 183,014 | 183,014 | - | - |
| **Total** | $ 738,624 | $ 204,552 | $ - | $ - |

**Investments**

As of June 30, 2023, the following shows the segmented time distribution of the Authority's investments and its fair value measurement:

| | Fair Value | Investment Maturities (in Years) Less than 1 | 1 - 5 |
|---|---|---|---|
| | | *(In Thousands)* | |
| Negotiable Certificates of Deposit | $ 72,265 | $ 66,527 | $ 5,738 |
| Commercial Paper | 71,367 | 71,367 | - |
| Corporate Bonds and Notes | 153,183 | 33,537 | 119,646 |
| Fixed Income Securities | 17,102 | 6,840 | 10,262 |
| U.S. Treasuries | 163,915 | 90,359 | 73,556 |
| Asset Backed Securities | 69,307 | 30 | 69,277 |
| Mortgage Backed Securities | 63,066 | - | 63,066 |
| Agency Mortgage Backed Securities | 88,909 | 53,585 | 35,324 |
| Municipal Bonds | 3,430 | - | 3,430 |
| **Total** | $ 702,544 | $ 322,245 | $ 380,299 |

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

**Investments (Continued)**

| | Fair Value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| | *(In Thousands)* | | | |
| Negotiable Certificates of Deposit | $ 72,265 | $ 72,265 | $ - | $ - |
| Commercial Paper | 71,367 | 71,367 | - | - |
| Corporate Bonds and Notes | 153,183 | 153,183 | - | - |
| Fixed Income Securities | 17,102 | 17,102 | - | - |
| U.S. Treasuries | 163,915 | 163,915 | - | - |
| Asset Backed Securities | 69,307 | 69,307 | - | - |
| Mortgage Backed Securities | 63,066 | 63,066 | - | - |
| Agency Mortgage Backed Securities | 88,909 | 88,909 | - | - |
| Municipal Bonds | 3,430 | 3,430 | - | - |
| **Total** | $ 702,544 | $ 702,544 | $ - | $ - |

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.

With respect to the Statement of Fiduciary Net Position, there have been no changes in the valuation methodology used at June 30, 2022 (measurement date June 30, 2022). The Defined Benefit Pension Plan investment balances as of June 30, 2023 have a measurement date of June 30, 2023. Following is a description of the valuation methodology used for fiduciary assets measured at fair value:

***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, 2023:

Assets Measured at Fair Value on a Recurring Basis at June 30, 2023

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | | *(In Thousands)* | | |
| Long-term bond funds | $ 1,868 | $ - | $ - | $ 1,868 |
| Core plus bond funds | 8,777 | - | - | 8,777 |
| Common and preferred stock funds | 9,834 | - | - | 9,834 |
| Other mutual funds | 6,917 | - | - | 6,917 |
| **Total assets in the fair value hierarchy** | $ 27,396 | $ - | $ - | $ 27,396 |

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

**Investments (Continued)**

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 statement of net position 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.

***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 Annual Comprehensive Financial Report. The Commonwealth's policy is to record unrealized gains and losses in the General Fund in the Commonwealth's basic financial statements. When gains or losses are realized, the actual gains and losses are recorded by the affected agencies.

Blended Component Unit – VIT

The following table set forth by level, within the fair value hierarchy, summarizes VIT's fiduciary assets for the VITPP Trust Fund at fair value as of the measurement date of June 30, 2023:

Assets Measured at Fair Value on a Recurring Basis at June 30, 2023

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | | *(In Thousands)* | | |
| Short-term bond funds | $ 3,895 | $ - | $ - | $ 3,895 |
| Long-term bond funds | 7,403 | - | - | 7,403 |
| Core plus bond funds | 34,469 | - | - | 34,469 |
| Common and preferred stock funds | 30,394 | - | - | 30,394 |
| Other mutual funds | 26,259 | - | - | 26,259 |
| **Total assets in the fair value hierarchy** | $ 102,420 | $ - | $ - | $ 102,420 |

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 statement of fiduciary net position.

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.

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

**Investments (Continued)**

Blended Component Unit – VIT (Continued)

***Custodial credit risk (deposits):*** At year end, VIT had deposits of $30,000. These deposits 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, bank 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, 2023, all VIT deposits were considered adequately collateralized.

## 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, 2023 were rated by Standard & Poor's and the ratings are presented below:

| | Authority's Rated Debt Investments' Values | | | | | |
|---|---|---|---|---|---|---|
| | Agency Ratings | | | | | |
| | AAA | AA | A | A-1 | BBB | Not Rated |
| | | | (In Thousands) | | | |
| Negotiable Certificates of Deposit | $ 69,529 | $ - | $ 2,736 | $ - | $ - | $ - |
| Commercial Paper | 71,367 | - | - | - | - | - |
| Corporate Bonds and Notes | - | 34,133 | 97,566 | 14,736 | 4,281 | 2,467 |
| Fixed Income Securities | - | 1,370 | 15,732 | - | - | - |
| U.S. Treasuries | - | 163,915 | - | - | - | - |
| Asset Backed Securities | - | - | - | - | 41,467 | 27,840 |
| Mortgage Backed Securities | - | 42,975 | - | - | 14,387 | 5,704 |
| Agency Mortgage Backed Securities | 11,144 | 77,765 | - | - | - | - |
| Municipal Bonds | - | - | - | - | - | 3,430 |
| **Total** | $ 152,040 | $ 320,158 | $ 116,034 | $ 14,736 | $ 60,135 | $ 39,441 |

**Note 3. Concentration of Risk (Continued)**

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, 2023, approximately 61% of total revenue was derived from four customers. Receivables outstanding at June 30, 2023 for this concentration totaled $31,582.

**Note 4. Due From Other Governments**

Amounts due from other governments as of June 30, 2023 include (in thousands):

| | | |
|---|---|---|
| U.S. Department of Transportation | $ | 18,708 |
| Virginia Public Building Authority | | 11,617 |
| Transportation Trust Fund | | 6,905 |
| Virginia Department of Rail and Public Transportation | | 4,134 |
| U.S. Department of Homeland Security | | 1,937 |
| Virginia Department of Transportation | | 1,875 |
| City of Portsmouth | | 93 |
| Virginia Department of Emergency Management | | 51 |
| | $ | 45,320 |

## Note 5. Capital Assets

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

| | Balance July 1, 2022 | Additions | Deletions | Transfers | Balance June 30, 2023 |
|---|---|---|---|---|---|
| | | | *(In Thousands)* | | |
| Governmental activities: | | | | | |
| Capital assets not being depreciated or amortized: | | | | | |
| Land and improvements | $ 104,471 | $ - | $ - | $ - | $ 104,471 |
| Construction in progress (CIP) | 173,820 | 241,678 | - | (46,543) | 368,955 |
| | 278,291 | 241,678 | - | (46,543) | 473,426 |
| Depreciable or amortizable capital assets: | | | | | |
| Infrastructure | 1,003,645 | - | - | 1,296 | 1,004,941 |
| Buildings and improvements | 133,527 | - | - | 108 | 133,635 |
| Equipment | 643,410 | - | (897) | 45,139 | 687,652 |
| Right-to-use lease assets: | | | | | |
| VIG | 4,049,305 | - | - | - | 4,049,305 |
| Land and real property | 14,012 | 5,338 | - | - | 19,350 |
| Equipment | 16 | - | (16) | - | - |
| | 5,843,915 | 5,338 | (913) | 46,543 | 5,894,883 |
| Less accumulated depreciation and amortization for: | | | | | |
| Depreciable capital assets: | | | | | |
| Infrastructure | (445,516) | (32,191) | - | - | (477,707) |
| Buildings and improvements | (106,748) | (3,277) | - | - | (110,025) |
| Equipment | (302,175) | (36,689) | 897 | - | (337,967) |
| Right-to-use lease assets: | | | | | |
| VIG | (90,995) | (90,995) | - | - | (181,990) |
| Land and real property | (1,393) | (1,786) | (418) | - | (3,597) |
| Equipment | (14) | (3) | 17 | - | - |
| **Total accumulated depreciation and amortization** | (946,841) | (164,941) | 496 | - | (1,111,286) |
| **Depreciable or amortizable capital assets, net** | 4,897,074 | (159,603) | (417) | 46,543 | 4,783,597 |
| **Governmental activities capital assets, net** | $ 5,175,365 | $ 82,075 | $ (417) | $ - | $ 5,257,023 |

**Note 5. Capital Assets (Continued)**

Blended Component Unit – VIT

Changes in capital assets for the year ended June 30, 2023 are summarized as follows:

| | Balance July 1, 2022 | Additions | Deletions | Transfers | Balance June 30, 2023 |
|---|---|---|---|---|---|
| | | | *(In Thousands)* | | |
| CIP (non-depreciable) | $ 7,983 | $ 6,230 | $ - | $ (6,146) | $ 8,067 |
| Depreciable or amortizable capital assets: | | | | | |
| Buildings and improvements | 2,933 | - | - | - | 2,933 |
| Terminal gear and equipment | 36,725 | - | (2,238) | 1,157 | 35,644 |
| Automobiles and trucks | 9,180 | - | (1,422) | 3,275 | 11,033 |
| Data processing equipment | 80,825 | - | (638) | 1,714 | 81,901 |
| Furniture and fixtures | 2,096 | - | - | - | 2,096 |
| Right-to-use lease and subscription assets:* | | | | | |
| Chassis and terminal equipment | 120,757 | 129,523 | (1,985) | - | 248,295 |
| Subscription assets | - | 3,510 | - | - | 3,510 |
| | 252,516 | 133,033 | (6,283) | 6,146 | 385,412 |
| Less accumulated depreciation and amortization for: | | | | | |
| Depreciable capital assets | (100,366) | (7,675) | 2,448 | - | (105,593) |
| Right-to-use lease assets | (16,900) | (25,251) | 1,983 | - | (40,168) |
| Subscription assets | - | (1,030) | - | - | (1,030) |
| **Depreciable or amortizable capital assets, net** | 135,250 | 99,077 | (1,852) | 6,146 | 238,621 |
| **Net capital assets** | $ 143,233 | $ 105,307 | $ (1,852) | $ - | $ 246,688 |

*Right-to-use lease assets at June 30, 2023 primarily consist of $244,694 for approximately 18,000 chassis leased by HRCP, along with $3,601 of terminal operating equipment leased by VIT. See Note 12 for further details.

**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, 2022 | Increases | Decreases | Balance June 30, 2023 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| | | | *(In Thousands)* | | |
| Revenue bonds | $ 461,945 | $ 201,195 | $ (77,540) | $ 585,600 | $ 17,985 |
| Issuance premium | 14,325 | 28,952 | (954) | 42,323 | 3,796 |
| **Total revenue bonds** | 476,270 | 230,147 | (78,494) | 627,923 | 21,781 |
| Installment purchases | 215,083 | 4,054 | (6,641) | 212,496 | 6,804 |
| Note payable - dredging | 1,965 | - | (1,965) | - | - |
| **Total other liabilities** | 217,048 | 4,054 | (8,606) | 212,496 | 6,804 |
| VIG lease | 4,098,496 | 47,615 | - | 4,146,111 | - |
| Other lease liabilities | 13,180 | 4,920 | (1,454) | 16,646 | 1,550 |
| **Total lease liabilities** | 4,111,676 | 52,535 | (1,454) | 4,162,757 | 1,550 |
| **Total** | $ 4,804,994 | $ 286,736 | $ (88,554) | $ 5,003,176 | $ 30,135 |

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

**Details of Long-Term Indebtedness**

| Revenue Bonds | Balance as of June 30, 2023 *(In Thousands)* |
|---|---|
| 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. The bonds are payable in annual principal installments varying from \$7,625 to \$8,730 with semi-annual interest payments with rates ranging from 3.22% 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. | \$ 40,795 |
| 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. The bonds are payable in annual principal installments varying from \$1,715 to \$10,300 with interest of 2.62% 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 2015A 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). | 135,950 |
| 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. The bonds are payable in annual principal installments varying from \$2,315 to \$6,450 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, 2015A and 2015B 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. | 89,200 |

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

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

| Revenue Bonds (Continued) | Balance as of June 30, 2023 *(In Thousands)* |
|---|---|
| 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. The bonds are payable in annual principal installments varying from $2,565 to $9,840 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. | $ 23,480 |
| On August 4, 2020, Commonwealth Port Fund Revenue Refunding Bonds, Series 2020A (Taxable) (the "Series 2020A Bonds") dated the same, were issued in the amount of $77,845. The bonds are payable in annual principal installments varying from $295 to $11,655 with semi-annual interest payments with rates ranging from 0.57% to 2.45%, with the final installment due July 1, 2040. Proceeds of the Series 2020A Bonds have been used (a) to pay the costs of refunding of the Series 2012C and 2015 Bonds, and (b) to pay costs of issuance of the Series 2020A Bonds. The Series 2020A Bonds are payable primarily from the Commonwealth Port Fund. | 75,210 |
| On August 4, 2020, Commonwealth Port Fund Revenue Refunding Bonds, Series 2020B (AMT) (the "Series 2020B Bonds") dated the same, were issued in the amount of $19,770. The bonds are payable in annual principal installments varying from $2,530 to $3,230 beginning July 1, 2023 with semi-annual interest payments with a rate of 5.00%, with the final installment due July 1, 2029. Proceeds of the Series 2020B Bonds have been used (a) to pay the costs of refunding of the Series 2012B Bonds, and (b) to pay costs of issuance of the Series 2020B Bonds. The Series 2020B Bonds are payable primarily from the Commonwealth Port Fund. | 19,770 |
| On May 11, 2023, Commonwealth Port Fund Revenue Bonds, Series 2023A (Non-AMT) (the "Series 2023A Bonds") dated the same, were issued in the amount of $148,520. The bonds are payable in annual principal installments varying from $1,390 to $18,515 beginning July 1, 2032 with semi-annual interest payments with rates ranging from 5.00% to 5.25%, with the final installment due July 1, 2048. Proceeds of the Series 2023A Bonds have been used (a) to finance various improvements to NIT, and (b) to pay costs of issuance of the Series 2023A Bonds. The Series 2023A Bonds are payable primarily from the Commonwealth Port Fund. | 148,520 |

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

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

| | Balance as of June 30, 2023 *(In Thousands)* |
|---|---|
| Revenue Bonds (Continued) | |
| On May 11, 2023, Commonwealth Port Fund Revenue Refunding Bonds, Series 2023B (Non-AMT) (the "Series 2023B Bonds") dated the same, were issued in the amount of \$52,675. The bonds are payable in annual principal installments varying from \$2,145 to \$8,550 beginning July 1, 2028 with semi-annual interest payments with rates ranging from 4.00% to 5.00%, with the final installment due July 1, 2036. Proceeds of the Series 2023B Bonds have been used (a) to pay the costs of refunding of the Series 2018 Bonds (Taxable), and (b) to pay costs of issuance of the Series 2023B Bonds. The Series 2023B Bonds are payable primarily from the Commonwealth Port Fund. | \$ 52,675 |
| **Sub-total revenue bonds** | 585,600 |
| Issuance premium, net | 42,323 |
| **Total revenue bonds** | 627,923 |
| Installment Purchases | |
| The Installment Purchase contract dated October 27, 2017 for the lease purchase of terminal equipment initially totaled \$21,785 and has addendums for an additional \$45,215. Payments began on the initial group of equipment July 1, 2018 with semi-annual payments of principal and interest of \$897 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 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 \$883 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 each January and July until January 1, 2030 at an interest rate of 2.04% per annum. | 48,783 |
| The Installment Purchase contract dated August 1, 2020 for the lease purchase of terminal equipment totaled \$11,600. Payments began on August 1, 2021 with semi-annual payments of principal and interest of \$655 each August and February until February 1, 2031 at an interest rate of 2.35% per annum. | 9,510 |
| The Installment Purchase contract dated December 8, 2020 for the lease purchase of terminal equipment totaled \$12,000. Payments began on July 1, 2021 with semi-annual payments of principal and interest of \$458 each January and July until January 1, 2036 at an interest rate of 1.78% per annum. | 10,590 |

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

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

| Installment Purchases (Continued) | | Balance as of June 30, 2023 *(In Thousands)* |
|---|---|---|
| Installment Purchase Contract 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 1, 2016. | $ | 143,613 |
| **Total installment purchases** | | 212,496 |
| VIG Lease | | |
| 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 1, 2016. | | 4,146,111 |
| Other Lease Liabilities | | |
| The Authority is a lessee for non-cancellable leases of certain port facilities, office space, land and equipment. Leases have terms that range from three to 40 years. Certain lease agreements include payments that are discounted based on usage and others include rental payments adjusted periodically for inflation. See Note 12 for more information. | | 16,646 |
| **Total long-term indebtedness** | $ | 5,003,176 |

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

**Annual Long-Term Debt Requirements**

Summaries of future principal and interest maturities under long-term obligations as of June 30, 2023 are as follows:

Revenue Bonds

| Year(s) Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| | | *(In Thousands)* | |
| 2024 | $ 17,985 | $ 20,940 | $ 38,925 |
| 2025 | 18,610 | 23,947 | 42,557 |
| 2026 | 19,275 | 23,262 | 42,537 |
| 2027 | 19,980 | 22,536 | 42,516 |
| 2028 | 20,725 | 21,767 | 42,492 |
| 2029-2033 | 108,295 | 97,923 | 206,218 |
| 2034-2038 | 104,345 | 76,674 | 181,019 |
| 2039-2043 | 130,170 | 52,126 | 182,296 |
| 2044-2048 | 127,700 | 19,159 | 146,859 |
| 2049 | 18,515 | 486 | 19,001 |
| **Total revenue bonds** | $ 585,600 | $ 358,820 | $ 944,420 |

Installment Purchases

| Year(s) Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| | | *(In Thousands)* | |
| 2024 | $ 2,659 | $ 10,174 | $ 12,833 |
| 2025 | 2,735 | 10,255 | 12,990 |
| 2026 | 2,814 | 10,337 | 13,151 |
| 2027 | 3,813 | 10,405 | 14,218 |
| 2028 | 4,479 | 10,410 | 14,889 |
| 2029-2033 | 13,884 | 52,204 | 66,088 |
| 2034-2038 | (5,661) | 53,842 | 48,181 |
| 2039-2043 | (5,217) | 56,155 | 50,938 |
| 2044-2048 | 4,209 | 56,437 | 60,646 |
| 2049-2053 | 18,984 | 53,218 | 72,202 |
| 2054-2058 | 41,341 | 44,619 | 85,960 |
| 2059-2063 | 74,352 | 27,989 | 102,341 |
| 2064-2066 | 54,104 | 4,269 | 58,373 |
| **Total installment purchases** | $ 212,496 | $ 400,314 | $ 612,810 |

The above table reflects principal and interest payment requirements applicable to the respective year. To the extent that interest incurred exceeds the payment made, the principal value will be lower and, where applicable, will reflect negative amortization.

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

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

VIG Lease

In November 2016, VPA formally commenced the VIG lease. The agreement extended the termination date of the original lease from June 30, 2030 to December 31, 2065, as well as expanded the operable terminal capacity of the facility. Additionally, the lease provided 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 (installment sale assets). The contract and transferred assets are required to be maintained as security for the lease obligation.

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. After years five and ten of the amended and restated lease, the total annual rent increases by an additional $1,000 at each interval. An additional 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 rent expense and be recorded in the applicable lease year as realized.

| Year(s) Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| | | *(In Thousands)* | |
| 2024 | $ (45,866) | $ 144,103 | $ 98,237 |
| 2025 | (43,934) | 145,658 | 101,724 |
| 2026 | (41,808) | 147,144 | 105,336 |
| 2027 | (39,478) | 148,553 | 109,075 |
| 2028 | (36,931) | 149,878 | 112,947 |
| 2029-2033 | (137,962) | 765,765 | 627,803 |
| 2034-2038 | (33,882) | 781,318 | 747,436 |
| 2039-2043 | 114,600 | 775,265 | 889,865 |
| 2044-2048 | 320,577 | 738,859 | 1,059,436 |
| 2049-2053 | 600,508 | 660,812 | 1,261,320 |
| 2054-2058 | 975,026 | 526,648 | 1,501,674 |
| 2059-2063 | 1,469,928 | 317,903 | 1,787,831 |
| 2064-2065 | 1,045,333 | 51,115 | 1,096,448 |
| **Total VIG lease** | $ 4,146,111 | $ 5,353,021 | $ 9,499,132 |

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 fiscal year 2038. At June 30, 2023, right-to-use lease assets recorded pursuant to the VIG lease were included in depreciable capital assets shown in Note 5.

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

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

Other Lease Liabilities

| Year(s) Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| | | *(In Thousands)* | |
| 2024 | $ 1,550 | $ 551 | $ 2,101 |
| 2025 | 1,653 | 496 | 2,149 |
| 2026 | 1,760 | 437 | 2,197 |
| 2027 | 1,873 | 375 | 2,248 |
| 2028 | 1,358 | 313 | 1,671 |
| 2029-2033 | 4,526 | 1,096 | 5,622 |
| 2034-2038 | 1,565 | 474 | 2,039 |
| 2039-2043 | 536 | 364 | 900 |
| 2044-2048 | 637 | 263 | 900 |
| 2049-2053 | 757 | 143 | 900 |
| 2054-2058 | 431 | 20 | 451 |
| **Total other lease liabilities** | $ 16,646 | $ 4,532 | $ 21,178 |

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

| | Principal | Premium | Total Long-Term Debt |
|---|---|---|---|
| | | *(In Thousands)* | |
| Commonwealth port fund revenue bonds | $ 336,970 | $ 31,933 | $ 368,903 |
| Port facilities revenue bonds | 248,630 | 10,390 | 259,020 |
| Installment purchases | 212,496 | - | 212,496 |
| VIG lease | 4,146,111 | - | 4,146,111 |
| Other lease liabilities | 16,646 | - | 16,646 |
| | $ 4,960,853 | $ 42,323 | $ 5,003,176 |

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, 2023, $3,820 and $4,868 were maintained as restricted cash and investments, respectively, to satisfy these requirements.

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

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

**Blended Component Unit – VIT**

A summary of changes in subscription liabilities, lease liabilities and other liabilities for VIT follows:

| | Balance July 1, 2022 | Increases | Decreases | Balance June 30, 2023 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| | | | *(In Thousands)* | | |
| Subscription liabilities | $ - | $ 3,510 | $ (990) | $ 2,520 | $ 1,053 |
| Chassis lease liabilities | 103,695 | 127,849 | (21,418) | 210,126 | 21,862 |
| Other lease liabilities | 1,350 | 1,674 | (1,194) | 1,830 | 1,211 |
| **Total** | $ 105,045 | $ 133,033 | $ (23,602) | $ 214,476 | $ 24,126 |

Summaries of future principal and interest maturities of lease and subscription obligations as of June 30, 2023 are as follows:

| Year(s) Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| | | *(In Thousands)* | |
| 2024 | $ 1,053 | $ 83 | $ 1,136 |
| 2025 | 1,089 | 47 | 1,136 |
| 2026 | 187 | 10 | 197 |
| 2027 | 176 | 4 | 180 |
| 2028 | 15 | 1 | 16 |
| **Total subscription liabilities** | $ 2,520 | $ 145 | $ 2,665 |

| Year(s) Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| | | *(In Thousands)* | |
| 2024 | $ 21,862 | $ 7,073 | $ 28,935 |
| 2025 | 20,975 | 6,286 | 27,261 |
| 2026 | 21,558 | 5,554 | 27,112 |
| 2027 | 22,316 | 4,796 | 27,112 |
| 2028 | 22,747 | 4,016 | 26,763 |
| 2029-2033 | 91,526 | 9,079 | 100,605 |
| 2034-2038 | 9,142 | 298 | 9,440 |
| **Total chassis lease liabilities** | $ 210,126 | $ 37,102 | $ 247,228 |

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| | | *(In Thousands)* | |
| 2024 | $ 1,211 | $ 43 | $ 1,254 |
| 2025 | 536 | 11 | 547 |
| 2026 | 75 | 1 | 76 |
| 2027 | 8 | 1 | 9 |
| **Total other lease liabilities** | $ 1,830 | $ 56 | $ 1,886 |

## Note 7. Defeasance of Debt

On November 17, 2016, the Authority issued $143,965 (par value) of Port Facilities Revenue Refunding Bonds, Series 2016A (Taxable) to advance refund $57,085 in principal amount of the Authority's Port Facilities Revenue Bonds, Series 2010 issued in the original par amounts of $68,630; to advance refund $42,435 in principal amount of the Authority's Port Facilities Revenue Bonds, Series 2015A issued in the original par amounts of $85,130, and to advance refund $14,160 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, 2023, $42,435 of these defeased bonds were still outstanding.

On August 4, 2020, the Authority issued $77,845 (par value) of Commonwealth Port Fund Revenue Refunding Bonds, Series 2020A (Taxable) to advance refund $4,795 in principal amount of the Authority's Commonwealth Port Fund Revenue Bonds, Series 2012C (Non-AMT) issued in the original par amounts of $4,795 and to advance refund $58,680 in principal amount of the Authority's Commonwealth Port Fund Revenue Bonds, Series 2015 (AMT) issued in the original par amounts of $58,680. 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, 2023, $58,680 of these defeased bonds were still outstanding.

On May 11, 2023, the Authority issued $52,675 (par value) of Commonwealth Port Fund Revenue Refunding Bonds, Series 2023B (Non-AMT) to advance refund $59,270 in principal amount of the Authority's Commonwealth Port Fund Revenue Bonds, Series 2018 (Taxable) issued in the original par amounts of $60,345. 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, 2023, $59,270 of these defeased bonds were still outstanding. The result of the refunding saved the Authority $4,317 in future debt service and resulted in $3,236 economic gain.

The Series 2016A, 2016B, and 2016C refundings were undertaken as a condition of the VIG lease. The reacquisition price of $298,236 netted against the book value of the refunded debt resulted in the recognition of a deferred outflow of resources of $24,353. At June 30, 2023, $12,105 remained as unamortized deferred outflows of resources.

The reacquisition price of the Series 2020A and 2020B refundings, $102,178, netted against the book value of the refunded debt resulted in the recognition of a deferred outflow of $11,012. At June 30, 2023, $8,459 remained as unamortized deferred outflows of resources.

The reacquisition price of the Series 2023B refundings, $61,525, netted against the book value of the refunded debt resulted in the recognition of a deferred outflow of $2,596. At June 30, 2023, $3,317 remained as unamortized deferred outflows of resources.

## Note 8. Commitments and Contingencies

As of June 30, 2023, the Authority has commitments to construction contracts totaling $1,165,218, of which $391,917 has been incurred.

### Federal Grants

The Authority receives federal grant funding from the United States Department of Transportation, Maritime Administration in support of major infrastructure projects being completed across the Authority's port facilities. In addition, the Authority has also been awarded grants from the United States Department of Homeland Security, 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 $1,900 in fiscal year 2009 as a mitigation payment from Virginia Natural Gas to fund Army Corps of Engineers approved enhancements to Anchorage K for future dredging and navigation activities associated with the provision of a deeper anchorage area in the waters that are contiguous to the area known as Hampton Roads. These funds were deposited into an interest-bearing account. As of June 30, 2023, $2,145 remains in the account.

### Legal Matters and Claims

The Authority, from time to time, is a defendant in legal matters 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, 2023.

### Renewable Energy

During fiscal year 2022, the Authority entered into an arrangement with the Virginia Department of Energy (VDOE) whereby the Authority has committed to purchase at least ten percent of a prior commitment by VDOE to purchase up to 345 megawatts of power from Virginia Electric and Power Company (Dominion Energy) generated by renewable sources to include principally solar power, but potentially other renewable sources as may become available. The Authority has an option to purchase additional energy output in excess of the ten percent commitment. As part of the arrangement, the Authority agrees to pay for the renewable electricity commitment at base rates adequate to cover the operating costs of the respective renewable energy assets. The term of the commitments are generally 20 years from the commercial operations dates of the respective facilities, and on average are expected to last until approximately 2040. With respect to its ten percent purchase commitment, the Authority will either have to pay the excess of the base rate over the locational marginal price (LMP) as quoted by the PJM regional transmission organization, or receive the excess of the LMP over the base rate. The cost of the renewable energy resources, including the payment or receipt for any difference as described above, will be an operating expense of the related terminals and settled by VIT in the period in which it was incurred. The principal purpose of the arrangement is for the Authority to secure sufficient electric capacity to satisfy all of its electricity needs from renewable sources.

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

Blended Component Unit – VIT

VIT is a defendant in various legal matters 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, 2023.

On April 7, 2014, VIT obtained a letter of credit available in the amount of $1,001 for workers' compensation claims. It bears interest at prime and is set to expire on May 31, 2024. At June 30, 2023, there were no borrowings outstanding.

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 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 January 28, 2014. Employees hired after January 28, 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 Annual Comprehensive Financial Report. 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, 2023 is $221 along with a deferred outflow of resources of $69 and a deferred inflow of resources of $186.

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 (Unreduced): | | |
| (a) Age | 50 | 50 |
| (b) Service | 30 | 25 |
| Early Retirement (Reduced): | | |
| (a) Age | 55 | 50 |
| (b) Service | 5 | 5 |
| Disability: | | |
| (a) Service | 5 | 5 |

***Effective date:*** August 1, 1998; latest amendment effective July 1, 2019.

***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 0.3% 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 0.3% 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 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 $1,465 in fiscal year 2023 and $1,704 in fiscal year 2022 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 July 1, 2022 using the Entry Age Normal cost method. The actuarial value of plan assets was determined using fair value. The discount rate used in determining the actuarial liability was 6.5% 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 | 99 |
| Inactive members entitled to but not yet receiving benefits | 62 |
| Active eligible members | 82 |
| **Total** | 243 |

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

**VPA Defined Benefit Plan (Continued)**

D. Net Pension Liability

VPA's net pension liability at June 30, 2023 was actuarially measured as of July 1, 2022, 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, 2023 |
|---|---|
| | *(In Thousands)* |
| Total pension liability | $ 34,141 |
| Plan fiduciary net position | 25,394 |
| Net pension liability | $ 8,747 |
| Plan fiduciary net position as a percentage of the total pension liability | 74.38% |

E. Changes in Net Pension Liability

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| | | *(In Thousands)* | |
| Balances at June 30, 2022 | $ 32,348 | $ 28,549 | $ 3,799 |
| Changes for the year: | | | |
| Service cost | 546 | - | 546 |
| Interest | 2,190 | - | 2,190 |
| Differences between expected and actual experience | (1,014) | - | (1,014) |
| Net investment income | - | (3,774) | 3,774 |
| Contributions from employer | - | 1,704 | (1,704) |
| Benefit payments | (1,031) | (1,031) | - |
| Administrative expense | - | (54) | 54 |
| Changes of assumptions | 1,102 | - | 1,102 |
| Balances at June 30, 2023 | $ 34,141 | $ 25,394 | $ 8,747 |

**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 6.5 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 (5.5 percent) or 1-percentage-point higher (7.5 percent) than the current rate:

| | 1% Decrease (5.5%) | Current Rate (6.5%) | 1% Increase (7.5%) |
|---|---|---|---|
| | | *(In Thousands)* | |
| Total pension liability | $ 38,845 | $ 34,141 | $ 30,215 |
| Plan fiduciary net position | 25,394 | 25,394 | 25,394 |
| **Net pension liability** | $ 13,451 | $ 8,747 | $ 4,821 |

G. Deferred Outflows/Inflows of Resources Related to Pensions

At June 30, 2023, 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 |
|---|---|---|
| | *(In Thousands)* | |
| Employer contributions made subsequent to measurement date | $ 1,465 | $ - |
| Difference between actual and expected experience | 633 | (615) |
| Assumption changes | 1,152 | - |
| Net difference between expected and actual earnings on pension plan investments | 4,837 | (2,247) |
| **Total** | $ 8,087 | $ (2,862) |

The $1,465 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, 2024. 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 |
|---|---|
| | *(In Thousands)* |
| 2024 | $ 1,174 |
| 2025 | 984 |
| 2026 | 458 |
| 2027 | 1,144 |
| | $ 3,760 |

For the year ended June 30, 2023, VPA recognized a pension expense of $2,226.

**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* |
|---|---|---|
| U.S. Large Cap Equity | 20.2% | 6.3% |
| U.S. Mid Cap Equity | 6.0% | 6.8% |
| U.S. Small Cap Equity | 3.0% | 6.6% |
| International Equity | 12.0% | 7.5% |
| Emerging Markets Equity | 3.8% | 8.6% |
| Commodities | 5.0% | 4.4% |
| REITS | 5.0% | 6.4% |
| Aggregate Bonds | 45.0% | 4.1% |
| | 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 Annual Comprehensive Financial Report.

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. Both plans are administered by VPA; authority for establishing or amending benefit terms belongs to the Board of Commissioners. 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 $101 for the year ended June 30, 2023. There were no contributions payable at June 30, 2023.

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

**VPA Defined Benefit Plan (Continued)**

I. Deferred Compensation Plans (Continued)

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 offered to employees of 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, 2023 was $464 for the Defined Contribution and $198 for the Enhanced Participant Employer Matching Contribution. There were no contributions payable at June 30, 2023.

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, 2023 was $67.

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

**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. The 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 Authority. The VITPP issues a stand-alone financial report. The most recent report is as of June 30, 2022 and is available upon request from management.

B. Benefits Provided

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.

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

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

B. Benefits Provided (Continued)

Employees covered by the benefit terms as of the measurement date June 30, 2022:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 324 |
| Inactive employees entitled to but not yet receiving benefits | 186 |
| Active eligible employees | 127 |
| **Total** | 637 |

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 do not 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 $570 and $5,699, for the years ended with the measurement dates of June 30, 2023 and June 30, 2022, 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 submit an annual premium filing each year 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 for fiscal year 2023 was $429.

E. Net Pension Liability

VIT's net pension liability at June 30, 2023 was measured as of June 30, 2022.

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

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

F. Actuarial Assumptions

The actuarial present value of accumulated plan benefits, as determined by an independent actuary using end of year benefit information as of June 30, 2022, 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, 2022 were (a) life expectancy of participants (the Pub-2010 Mortality Table (Safety) projected forward with Scale MP-2021) (b) assumed retirement ages (weighted between 55 to 68 years), (c) investment return (average rate of return of 6.5%) and (d) salary scale increase rate (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.

G. Asset Valuation Method

IRC Section 430(g) provides that plan assets be valued at either their fair 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 value of assets on the valuation date and the adjusted fair 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 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). The VITPP values plan assets at the market value of assets at the measurement date.

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% | 6.3% |
| U.S. Mid Cap Equity | 6.0% | 6.8% |
| U.S. Small Cap Equity | 3.0% | 6.6% |
| International Equity | 12.0% | 7.5% |
| Emergining Markets Equity | 3.8% | 8.6% |
| Commodities | 5.0% | 4.4% |
| REITS | 5.0% | 6.4% |
| Aggregate Bonds | 45.0% | 4.1% |
| | 100.0% | |

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

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

I. Changes in the Net Pension Liability (Asset)

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (Asset) (a) - (b) |
| | | *(In Thousands)* | |
| Balances at June 30, 2022 | $ 113,271 | $ 133,160 | $ (19,889) |
| Changes for the year: | | | |
| Service cost | 579 | - | 579 |
| Interest | 7,490 | - | 7,490 |
| Differences between expected and actual experience | (737) | - | (737) |
| Contributions - employer | - | 5,699 | (5,699) |
| Changes of assumptions | 3,043 | - | 3,043 |
| Net investment income | - | (17,420) | 17,420 |
| Benefit payments, net | (6,494) | (6,494) | - |
| Administrative expense | - | (247) | 247 |
| **Net changes** | 3,881 | (18,462) | 22,343 |
| Balances at June 30, 2023 | $ 117,152 | $ 114,698 | $ 2,454 |
| Plan fiduciary net position as a percentage of the total pension liability | | | 97.91% |

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 6.5 percent, as well as what VITPP's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5 percent) or 1-percentage-point higher (7.5 percent) than the current rate.

***Discount Rate Sensitivity – Net Pension Liability (Asset) at End of Period***

| | 1% Decrease (5.5%) | Current Rate (6.5%) | 1% Increase (7.5%) |
|---|---|---|---|
| | | *(In Thousands)* | |
| Total pension liability | $ 129,697 | $ 117,152 | $ 106,472 |
| Plan fiduciary net position | 114,698 | 114,698 | 114,698 |
| **Net pension liability (asset)** | $ 14,999 | $ 2,454 | $ (8,226) |

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

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

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

For the year ended June 30, 2023, VIT recognized a pension expense of $3,978.

VIT reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30, 2023:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| | *(In Thousands)* | |
| Employer contributions made subsequent to measurement date | $ 570 | $ - |
| Difference between expected and actual experience | 685 | (1,098) |
| Changes of assumptions | 1,842 | - |
| Net difference between projected and actual plan investment earnings | 22,370 | (10,701) |
| **Total** | $ 25,467 | $ (11,799) |

The $570 reported as deferred outflows of resources resulting from employer contributions subsequent to the measurement date of June 30, 2022 will be recognized as an addition to the plan fiduciary net position in the fiscal year ending June 30, 2024 (actuarial valuation measurement date of June 30, 2023). 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 |
|---|---|
| | *(In Thousands)* |
| 2024 | $ 3,068 |
| 2025 | 2,829 |
| 2026 | 1,944 |
| 2027 | 5,257 |
| | $ 13,098 |

L. Risk Transfer Payment

During June 2023, VIT entered into a single-premium non-participating group annuity contract with a third party whereby, in exchange for a one-time lump sum payment of $16,164, the third party will assume the liability of funding the pension benefits of approximately 183 beneficiaries currently receiving benefits. On June 16, 2023, the third party received the proceeds in full and assumed responsibility for continuing the plan benefits for those participants. The payment was made via a transfer of plan assets, and is reflected as a risk transfer payment in the Statement of Changes in Fiduciary Net Position as of June 30, 2023. The effect of the new plan asset balance, as well as reduced number of participants on VIT's net pension asset/liability, will be reflected in the actuarial valuation to be measured June 30, 2023 and reported in VIT's fiscal year 2024 financial statements.

## 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) 1 retired VPA employee is 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, 2023 is $910 along with a deferred outflow of resources of $432 and a deferred inflow of resources of $201.

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. 45 of these employees have been transferred to VPA, along with their benefits. Upon 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, 2023 is $433 along with a deferred outflow of resources of $64.

### 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.

***Total OPEB liability:*** VIT's total OPEB liability of $371 was measured as of June 30, 2022.

B. Employees Covered by Benefit Terms

Employees covered by the benefit terms as of the measurement date of June 30, 2022:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 9 |
| Active eligible employees | 44 |
| **Total** | 53 |

The OPEB plan is closed to new entrants.

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

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

C. Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2022 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 | 3.69% |
| Healthcare Cost Trend Rates | 7.5% decreasing 0.15% per year to an ultimate rate of 4.5% for 2043 and later years |

Mortality rates were based on the PRI - 2012 Combined Healthy Mortality Table for Males and Females Projected Generationally with Scale MP-2021. The census was also updated to reflect the current population.

D. Changes in the Total OPEB Liability

| | Total OPEB Liability<br>*(In Thousands)* |
|---|---|
| Balance at June 30, 2022 | $ 583 |
| Changes for the year: | |
| Service cost | 13 |
| Interest | 9 |
| Differences between expected and actual experience | (177) |
| Changes of assumptions or other inputs | (17) |
| Contributions - Employer | (40) |
| **Net changes** | (212) |
| Balance at June 30, 2023 | $ 371 |

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.

E. 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 3.69%, 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 (2.69%) or 1-percentage-point higher (4.69%) than the current discount rate:

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

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

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

| | 1% Decrease (2.69%) | Current Rate (3.69%) | 1% Increase (4.69%) |
|---|---|---|---|
| | | *(In Thousands)* | |
| Total OPEB liability | $ 387 | $ 371 | $ 355 |

G. 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 estimated total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower than the current assumed healthcare cost trend rates for all years or 1-percentage-point higher than the current assumed healthcare cost trend rates for all years:

| | 1% Decrease | Current Healthcare Cost Trend Rates | 1% Increase |
|---|---|---|---|
| | | *(In Thousands)* | |
| Total OPEB liability | $ 360 | $ 371 | $ 383 |

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

For the year ended June 30, 2023, VIT recognized an OPEB credit of $131. VIT also reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30, 2023:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| | *(In Thousands)* | |
| Differences between expected and actual experience | $ - | $ (329) |
| Changes of assumptions | 20 | (13) |
| **Total** | $ 20 | $ (342) |

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

| Year Ending June 30, | Amount |
|---|---|
| | *(In Thousands)* |
| 2024 | $ (153) |
| 2025 | (96) |
| 2026 | (73) |
| | $ (322) |

## Note 11. Supplemental Retirement and Compensation Plans

A. Executive Supplemental Retirement Plan

VIT sponsors an executive supplemental retirement plan (ESRP), a noncontributory single-employer defined benefit supplemental plan covering certain key employees. Benefit provisions and obligations are established and may be amended by resolutions of the Board of Commissioners of the Authority. The ESRP does not issue a stand-alone financial report. The ESRP is accounted for on the economic resources measurement focus and the accrual basis of accounting. The ESRP is reported as a fiduciary fund.

***ESRP Financial Statements***

As of June 30, 2023 (measured as of June 30, 2022), the ESRP's statement of fiduciary net position is as follows (in thousands):

| | | |
|---|---|---|
| Assets | | |
| Investments held in trust at fair value: | | |
| Long-term bond funds | $ | 373 |
| Core plus bond funds | | 364 |
| Common and preferred stock funds | | 537 |
| Other mutual funds | | 483 |
| **Total assets** | | 1,757 |
| Net Position | | |
| Restricted for: | | |
| Pension benefits | | 1,757 |
| **Total net position** | $ | 1,757 |

For the fiscal year ended June 30, 2023, the ESRP's statement of changes in fiduciary net position is as follows (in thousands):

| | | |
|---|---|---|
| Additions: | | |
| Investment loss | $ | (237) |
| **Total additions** | | (237) |
| Deductions: | | |
| Benefit payments and transfers | | 215 |
| **Total deductions** | | 215 |
| **Change in net position** | | (452) |
| Net position, beginning of year | | 2,209 |
| Net position, end of year | $ | 1,757 |

***Employees Covered by Benefit Terms***

Employees covered by the benefit terms as of the measurement date of June 30, 2022:

| | |
|---|---|
| Inactive employee entitled to but not yet receiving benefits | 1 |
| Inactive employees receiving benefits | 6 |
| **Total** | 7 |

**Note 11. Supplemental Retirement and Compensation Plans (Continued)**

B. Net Pension Liability

VIT's net pension liability at June 30, 2023 was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The total benefit obligation of the supplemental plan (as of June 30, 2023) exceeded the fair value of investments by $266. There were no contributions to the plan for the year ended June 30, 2023. The actuarial cost method used to determine the normal cost and actuarial accrued liabilities of the plan was the entry age normal cost method.

***Actuarial Assumptions***

| | |
|---|---|
| Discount Rate | 6.5% |
| Preretirement Mortality | None |
| Postretirement Mortality | PRI-2012 White Collar Retiree Tables for annuitants projected forward with Scale MP-2021 (previously, projected forward with Scale MP-2020 for all years). |
| Retirement Age | Participants not in-pay are assumed to retire at age 65 and elect a single life annuity. |

C. Deferred Compensation and Matching Savings Plans

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. Both plans are administered by the Authority; authority for establishing or amending benefit terms belongs to the Board of Commissioners of the Authority. 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 $1,013 for the year ended June 30, 2023. There were no contributions payable at June 30, 2023.

## Note 12. Leases

***Lessee:*** The Authority is a lessee for non-cancellable leases of certain port facilities, office space, land and equipment. Most leases include one or more options to renew, and have terms that range from 3 to 40 years. The exercise of lease renewal options is at the discretion of the Authority. Certain lease agreements include payments that are discounted based on usage and others include rental payments adjusted periodically for inflation. The Authority monitors changes in circumstances that would require a re-measurement of a lease and will re-measure the lease asset and liability if changes occur that are expected to significantly affect the amount of the lease liability. Unless discussed below, the Authority's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Key estimates and judgements related to leases include how the Authority determines the discount rate it uses to discount the expected lease payments to present value, lease term, and lease payments.

| | |
|---|---|
| Discount Rate | When readily available or determinable, the Authority uses the interest rate charged by the lessor. If not readily available or determinable, the Authority uses its estimated incremental borrowing rate. |
| Lease Term | The lease term includes the non-cancellable period of the lease. |
| Lease Payments | Lease payments included in the measurement of the lease liability are comprised of fixed payments and, if applicable, the purchase option price the Authority is reasonably certain to exercise. |

Lease assets are reported with depreciable capital assets and lease liabilities are discretely presented on the Statement of Net Position.

***Lessor:*** The Authority is a lessor for non-cancellable leases of certain real estate and storage facilities. The Authority's lease and sublease portfolio consists of leases with various companies for terms ranging from 1 to 50 years. Certain lease agreements include rental payments adjusted periodically for inflation and others contain various build to suit and termination options. The Authority monitors changes in circumstances that would require a remeasurement of a lease and will remeasure the lease receivable and deferred inflows of resources if changes occur that are expected to significantly affect the amount of the lease receivable.

Key estimates and judgements related to leases include how the Authority determines the discount rate it uses to discount the expected lease receipts to present value, lease term, and lease receipts.

| | |
|---|---|
| Discount Rate | The Authority uses a commercial methodology to determine the discount rate for leases. Interest income on lease receivables is recognized based on an amortization schedule using the effective interest method. |
| Lease Term | The lease term includes the non-cancellable period of the lease. |
| Lease Receipts | Lease receipts included in the measurement of the lease receivable are comprised of fixed payments from the lessee. |

The Authority has a deferred inflow of resources associated with its leases that will be recognized as revenue over the term of the leases. As of June 30, 2023, the balance of the deferred inflow was $32,514. Lease revenue and lease interest income for the year ended June 30, 2023 was $2,328 and $2,986, respectively.

**Note 12. Leases (Continued)**

**Blended Component Unit – VIT**

***Lessee:*** VIT is a lessee for leases of certain autos, chassis and equipment. Most leases include one or more options to renew, and have terms that range from 3 to 10 years. The exercise of lease renewal options is at VIT's discretion. VIT monitors changes in circumstances that would require a re-measurement of a lease and will re-measure the lease asset and liability if changes occur that are expected to significantly affect the amount of the lease liability.

Key estimates and judgements related to leases include the determination of the applicable discount rate, lease term, lease payments, and residual value guarantees or other provisions as follows:

| | |
|---|---|
| Discount Rate | When readily available or determinable, VIT uses the interest rate charged by the lessor. If not readily available or determinable, VIT uses its estimated incremental borrowing rate. |
| Lease Term | The lease term includes the non-cancellable period of the lease. |
| Lease Payments | Lease payments included in the measurement of the lease liability are comprised of fixed payments and, if applicable, the purchase option price VIT is reasonably certain to exercise. |

Right-to-use lease assets are reported with other capital assets and lease liabilities are reported with current and noncurrent liabilities on the statement of net position.

VIT is also the user of certain subscription based information technology products. The discount rate, subscription term, and subscription payments are treated similarly to leases, as explained above. Subscription assets are reported with other capital assets and subscription liabilities are reported with current and noncurrent liabilities on the statement of net position.

***Lessor:*** VIT is a lessor for certain real estate and storage facilities. VIT's lease and sublease portfolio consists of leases with various companies for terms ranging from monthly to 20 years. Certain lease agreements include rental payments adjusted periodically for inflation. VIT monitors changes in circumstances that would require a re-measurement of a lease and will re-measure the lease receivable and related deferred inflows of resources if changes occur that are expected to significantly affect the amount of the lease receivable.

Key estimates and judgements related to leases include the determination of a discount rate it uses to discount the expected lease receipts to present value, lease term, and lease receipts.

| | |
|---|---|
| Discount Rate | VIT uses a commercial methodology to determine the discount rate for leases. Interest income on lease receivables is recognized based on an amortization schedule using the effective interest method. |
| Lease Term | The lease term includes the non-cancellable period of the lease. |
| Lease Receipts | Lease receipts included in the measurement of the lease receivable is comprised of fixed payments from the lessee. |

VIT has a deferred inflow of resources associated with its leases that will be recognized as revenue over the term of the leases. As of June 30, 2023, the balance of the deferred inflow was $12,652. Lease revenue for the year ended June 30, 2023 was $1,751 and lease interest income for the same year was $977. At June 30, 2023, VIT has a total leases receivable balance of $14,021.

### 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 and automobile insurance; and fiduciary liability insurance. In addition to its primary layer of insurance, the Authority maintains excess liability insurance coverage and, for the benefit of the Authority's employees, workers' compensation insurance and employers liability insurance, both state and federal. Health insurance is provided to the Authority's employees 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 provides 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. Pursuant to a joint arrangement with VIT, the Authority carries stop loss insurance to mitigate exposure to significant medical claims. The stop loss policy is on a calendar year basis, with renewals effective each January 1. During the calendar years of 2023 and 2022, the individual claim cost limit (deductible) under the policy for the Authority was $150. The aggregate deductible for VIT and VPA combined claims in excess of the individual limit was $7,153 and $6,131 for calendar years 2023 and 2022, respectively.

### Note 14. Related Parties

VIT makes lease payments on behalf of the VPA for various equipment and office space. Total payments on behalf of VPA for these lease agreements totaled $936 for the year ended June 30, 2023.

An agreement for shared services was executed between VPA, VIT and HRCP, in an effort to centralize administrative functions and avoid redundancy of costs. Services shared include accounting and finance, purchasing, risk management, human resources, and other applicable functions. 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. For the year ended June 30, 2023, the cost of VIT and HRCP's allocated services from VPA amounted to $22,673 and $1,853, respectively.

For the year ended June 30, 2023, VIT and HRCP recorded $325,836 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 $14,550 in security surcharges from VIT customers on behalf of VPA for the year ended June 30, 2023.

# 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 | 2021 | 2022 | 2023 |
| | *(In Thousands)* | | | | | | | | |
| Actuarially determined contribution | $ 875 | $ 1,772 | $ 1,378 | $ 1,323 | $ 1,515 | $ 1,443 | $ 1,623 | $ 1,518 | $ 1,440 |
| Contributions made in relation to the actuarially determined contribution | 901 | 3,851 | 2,378 | 1,323 | 1,515 | 2,120 | 1,591 | 1,704 | 1,465 |
| **Contribution deficiency (excess)** | $ (26) | $ (2,079) | $ (1,000) | $ - | $ - | $ (677) | $ 32 | $ (186) | $ (25) |
| Covered payroll | $ 10,235 | $ 9,763 | $ 9,729 | $ 9,631 | $ 9,529 | $ 10,675 | $ 10,028 | $ 8,402 | $ 8,620 |
| Contributions as a % of payroll | 8.80% | 39.44% | 24.44% | 13.74% | 15.90% | 19.86% | 15.87% | 20.28% | 17.00% |

**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, 2022 (fiscal year ended June 30, 2023):

| | |
|---|---|
| Actuarial cost method | Entry Age Normal cost method |
| Asset valuation method | Fair value |
| Inflation IRS limit increases | 2.5% |
| Projected salary increases | 3.5% |
| Investment rate of return | 6.5%, 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-2021 |

(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 ended June 30, 2023 the measurement date was June 30, 2022.

# VIRGINIA PORT AUTHORITY

## 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 | 2021 | 2022 | 2023 |
| | *(In Thousands)* | | | | | | | | |
| Total Pension Liability | | | | | | | | | |
| Service cost | $ 387 | $ 487 | $ 594 | $ 618 | $ 612 | $ 593 | $ 492 | $ 537 | $ 546 |
| Interest | 971 | 1,019 | 1,414 | 1,414 | 1,564 | 1,748 | 1,894 | 2,055 | 2,190 |
| Changes of benefit terms | - | 4,878 | - | - | - | - | - | - | - |
| Differences between expected and actual experience | 263 | (205) | (1,059) | 476 | 1,410 | 149 | 1,040 | 312 | (1,014) |
| Changes of assumptions | - | 1,124 | (215) | 414 | (68) | 683 | 867 | - | 1,102 |
| Benefit payments | (1,103) | (781) | (802) | (718) | (809) | (941) | (1,024) | (907) | (1,031) |
| **Net change in total pension liability** | 518 | 6,522 | (68) | 2,204 | 2,709 | 2,232 | 3,269 | 1,997 | 1,793 |
| Total Pension Liability, beginning | 12,965 | 13,483 | 20,005 | 19,937 | 22,141 | 24,850 | 27,082 | 30,351 | 32,348 |
| Total Pension Liability, ending (a) | $ 13,483 | $ 20,005 | $ 19,937 | $ 22,141 | $ 24,850 | $ 27,082 | $ 30,351 | $ 32,348 | $ 34,141 |
| Plan Fiduciary Net Position | | | | | | | | | |
| Contributions - employer | $ 525 | $ 901 | $ 3,847 | $ 2,378 | $ 1,324 | $ 1,515 | $ 2,120 | $ 1,591 | $ 1,704 |
| Net investment income | 1,618 | 467 | (54) | 1,729 | 1,492 | 1,299 | 857 | 5,292 | (3,774) |
| Benefit payments, including refunds of member contributions | (1,102) | (781) | (802) | (718) | (809) | (942) | (1,024) | (907) | (1,031) |
| Administrative expense | (111) | (117) | (95) | (57) | (30) | (33) | (37) | (42) | (54) |
| **Net change in plan fiduciary net position** | 930 | 470 | 2,896 | 3,332 | 1,977 | 1,839 | 1,916 | 5,934 | (3,155) |
| Plan Fiduciary Net Position, beginning | 9,255 | 10,185 | 10,655 | 13,551 | 16,883 | 18,860 | 20,699 | 22,615 | 28,549 |
| Plan Fiduciary Net Position, ending (b) | $ 10,185 | $ 10,655 | $ 13,551 | $ 16,883 | $ 18,860 | $ 20,699 | $ 22,615 | $ 28,549 | $ 25,394 |
| Net Pension Liability, ending (a) - (b) | $ 3,298 | $ 9,350 | $ 6,386 | $ 5,258 | $ 5,990 | $ 6,383 | $ 7,736 | $ 3,799 | $ 8,747 |
| Plan Fiduciary Net Position as a % of Pension Liability | 75.54% | 53.26% | 67.97% | 76.25% | 75.90% | 76.43% | 74.51% | 88.26% | 74.38% |
| Covered Payroll | $ 5,707 | $ 10,235 | $ 9,763 | $ 9,728 | $ 9,631 | $ 9,529 | $ 10,675 | $ 10,028 | $ 8,402 |
| Net Pension Liability as a % of Covered Payroll | 57.79% | 91.35% | 65.41% | 54.05% | 62.19% | 66.98% | 72.47% | 37.88% | 104.11% |

**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 and the investment rate of return.

| | |
|---|---|
| Mortality rates | Pub-2010 Mortality Table (Safety) With Scale MP-2021 |
| Investment rate of return | 6.50% |

(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, 2023 the measurement date was June 30, 2022.

# 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 | 2021 | 2022 | 2023 |
| | *(In Thousands)* | | | | | | | | |
| Actuarially determined contribution | $ 3,072 | $ 2,745 | $ 2,277 | $ 2,412 | $ 4,205 | $ 5,868 | $ 5,126 | $ 2,235 | $ 563 |
| Contributions made in relation to the actuarially determined contribution | 722 | 1,750 | 2,428 | 4,667 | 7,032 | 6,478 | 6,010 | 5,699 | 570 |
| **Contribution deficiency (excess)** | $ 2,350 | $ 995 | $ (151) | $ (2,255) | $ (2,827) | $ (610) | $ (884) | $ (3,464) | $ (7) |
| Covered payroll | $ 23,661 | $ 17,886 | $ 17,178 | $ 17,111 | $ 16,657 | $ 11,914 | $ 9,935 | $ 8,259 | $ 8,167 |
| Contributions as a % of payroll | 3.05% | 9.78% | 14.13% | 27.27% | 42.22% | 54.37% | 60.49% | 69.00% | 6.98% |

**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, 2022 (fiscal year ended June 30, 2023):

| | |
|---|---|
| Actuarial cost method | 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 | 2.5% |
| Projected salary increases | 3.5% |
| Investment rate of return | 6.5% |
| Retirement age | Weighted between 55 and 65 |
| Mortality rates | Pub-2010 Mortality Table (Safety) With Scale MP-2021 |

(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 (ASSET) AND RELATED RATIOS

| | Fiscal Year Ended June 30, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| | *(In Thousands)* | | | | | | | | |
| Total Pension Liability | | | | | | | | | |
| Service cost | $ 1,352 | $ 1,193 | $ 1,104 | $ 1,082 | $ 1,135 | $ 901 | $ 659 | $ 592 | $ 579 |
| Interest | 6,876 | 7,024 | 6,539 | 6,673 | 6,933 | 7,198 | 7,307 | 7,273 | 7,490 |
| Changes of benefit terms | - | (4,941) | - | - | - | - | - | - | - |
| Changes of assumptions | - | 3,430 | (1,148) | 70 | (297) | 1,349 | 2,131 | - | 3,043 |
| Differences between expected and actual experience | (1,830) | (3,625) | (760) | 363 | 935 | (2,518) | (1,050) | 1,142 | (737) |
| Benefit payments, including refunds of employee contributions | (4,000) | (3,270) | (4,417) | (4,479) | (4,567) | (4,815) | (5,436) | (5,791) | (6,494) |
| **Net change in total pension liability** | 2,398 | (189) | 1,318 | 3,709 | 4,139 | 2,115 | 3,611 | 3,216 | 3,881 |
| Total Pension Liability, beginning | 92,954 | 95,352 | 95,163 | 96,481 | 100,190 | 104,329 | 106,444 | 110,055 | 113,271 |
| Total Pension Liability, ending (a) | $ 95,352 | $ 95,163 | $ 96,481 | $ 100,190 | $ 104,329 | $ 106,444 | $ 110,055 | $ 113,271 | $ 117,152 |
| Plan Fiduciary Net Position | | | | | | | | | |
| Contributions - employer | $ 1,860 | $ 2,880 | $ 1,464 | $ 2,428 | $ 4,667 | $ 7,032 | $ 6,478 | $ 6,010 | $ 5,699 |
| Net investment income (loss) | 6,208 | 1,972 | (322) | 8,462 | 5,653 | 7,074 | 3,930 | 25,012 | (17,420) |
| Benefit payments, including refunds of member contributions | (4,000) | (3,270) | (4,417) | (4,479) | (4,567) | (4,815) | (5,436) | (5,791) | (6,494) |
| Administrative expense | - | - | - | (37) | (150) | (550) | (575) | (202) | (247) |
| **Net change in plan fiduciary net position** | 4,068 | 1,582 | (3,275) | 6,374 | 5,603 | 8,741 | 4,397 | 25,029 | (18,462) |
| Plan Fiduciary Net Position, beginning | 80,641 | 84,709 | 86,291 | 83,016 | 89,390 | 94,993 | 103,734 | 108,131 | 133,160 |
| Plan Fiduciary Net Position, ending (b) | $ 84,709 | $ 86,291 | $ 83,016 | $ 89,390 | $ 94,993 | $ 103,734 | $ 108,131 | $ 133,160 | $ 114,698 |
| Net Pension Liability (Asset), ending (a) - (b) | $ 10,643 | $ 8,872 | $ 13,465 | $ 10,800 | $ 9,336 | $ 2,710 | $ 1,924 | $ (19,889) | $ 2,454 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 88.84% | 90.68% | 86.04% | 89.22% | 91.05% | 97.45% | 98.25% | 117.56% | 97.91% |
| Covered Payroll | $ 25,709 | $ 23,661 | $ 17,886 | $ 17,178 | $ 17,111 | $ 16,657 | $ 11,914 | $ 9,935 | $ 8,259 |
| Net Pension Liability (Asset) as a % of Covered Payroll | 41.40% | 37.50% | 75.28% | 62.87% | 54.56% | 16.27% | 16.15% | -200.19% | 29.71% |

**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.

## 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 | 2021 | 2022 | 2023 |
| | *(In Thousands)* | | | | | |
| Total OPEB Liability | | | | | | |
| Service cost | $ 21 | $ 22 | $ 17 | $ 17 | $ 13 | $ 13 |
| Interest | 39 | 40 | 21 | 21 | 10 | 9 |
| Differences between expected and actual experiences | (1) | (428) | - | (256) | - | (177) |
| Changes of assumptions | - | 35 | - | 29 | - | (17) |
| Benefit payments | (43) | (89) | (52) | (52) | (96) | (40) |
| **Net change in total OPEB liability** | 16 | (420) | (14) | (241) | (73) | (212) |
| Total OPEB Liability, beginning | 1,315 | 1,331 | 911 | 897 | 656 | 583 |
| Total OPEB Liability, ending | $ 1,331 | $ 911 | $ 897 | $ 656 | $ 583 | $ 371 |
| Covered-employee Payroll | $ 9,938 | $ 7,957 | $ 7,468 | $ 5,963 | $ 5,316 | $ 4,500 |
| Total OPEB Liability as a Percentage of Covered-employee Payroll | 13.39% | 11.45% | 12.01% | 11.00% | 10.97% | 8.24% |

**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% |
| 2021 | 1.6% |
| 2022 | 1.6% |
| 2023 | 3.7% |

(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) As there are no contributions to the OPEB plan, covered employee payroll is presented above.

# SUPPLEMENTARY INFORMATION

# VIRGINIA PORT AUTHORITY & VIRGINIA INTERNATIONAL TERMINALS, LLC

## COMBINING STATEMENT OF FIDUCIARY NET POSITION
***June 30, 2023***

| | Authority | Virginia International Terminals, LLC | | |
|---|---|---|---|---|
| | Defined Benefit Pension Plan Trust Fund | Defined Benefit Pension Plan Trust Fund | Executive Supplemental Retirement Plan | Total |
| | | *(In Thousands)* | | |
| **ASSETS** | | | | |
| Investments held in trust at fair value: | | | | |
| Short-term bond funds | $ - | $ 3,895 | $ - | $ 3,895 |
| Long-term bond funds | 1,868 | 7,030 | 373 | 9,271 |
| Core plus bond funds | 8,777 | 34,105 | 364 | 43,246 |
| Common and preferred stock funds | 9,834 | 29,857 | 537 | 40,228 |
| Other mutual funds | 6,917 | 25,776 | 483 | 33,176 |
| **Total assets** | 27,396 | 100,663 | 1,757 | 129,816 |
| **NET POSITION** | | | | |
| Restricted for: | | | | |
| Pension benefits | 27,396 | 100,663 | 1,757 | 129,816 |
| **Total net position** | $ 27,396 | $ 100,663 | $ 1,757 | $ 129,816 |

## COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
***For the Year Ended June 30, 2023***

| | Authority | Virginia International Terminals, LLC | | |
|---|---|---|---|---|
| | Defined Benefit Pension Plan Trust Fund | Defined Benefit Pension Plan Trust Fund | Executive Supplemental Retirement Plan | Total |
| | | *(In Thousands)* | | |
| Additions: | | | | |
| Employer contributions | $ 1,465 | $ 694 | $ - | $ 2,159 |
| Investment income (loss) | 1,909 | 8,206 | (237) | 9,878 |
| Payment credits | 7 | 39 | - | 46 |
| **Total additions** | 3,381 | 8,939 | (237) | 12,083 |
| Deductions: | | | | |
| Benefit payments and transfers | 1,379 | 6,810 | 215 | 8,404 |
| Risk transfer payment | - | 16,164 | - | 16,164 |
| **Total deductions** | 1,379 | 22,974 | 215 | 24,568 |
| **Change in net position** | 2,002 | (14,035) | (452) | (12,485) |
| Net position, beginning of year | 25,394 | 114,698 | 2,209 | 142,301 |
| Net position, end of year | $ 27,396 | $ 100,663 | $ 1,757 | $ 129,816 |

Preparations to Stevedore Offshore Wind components

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

The objective of the statistical section is to provide information about the economic conditions within which the 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 Authority has no taxing authority and relies predominately on funds generated through business services at the terminal facilities. The Authority's 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

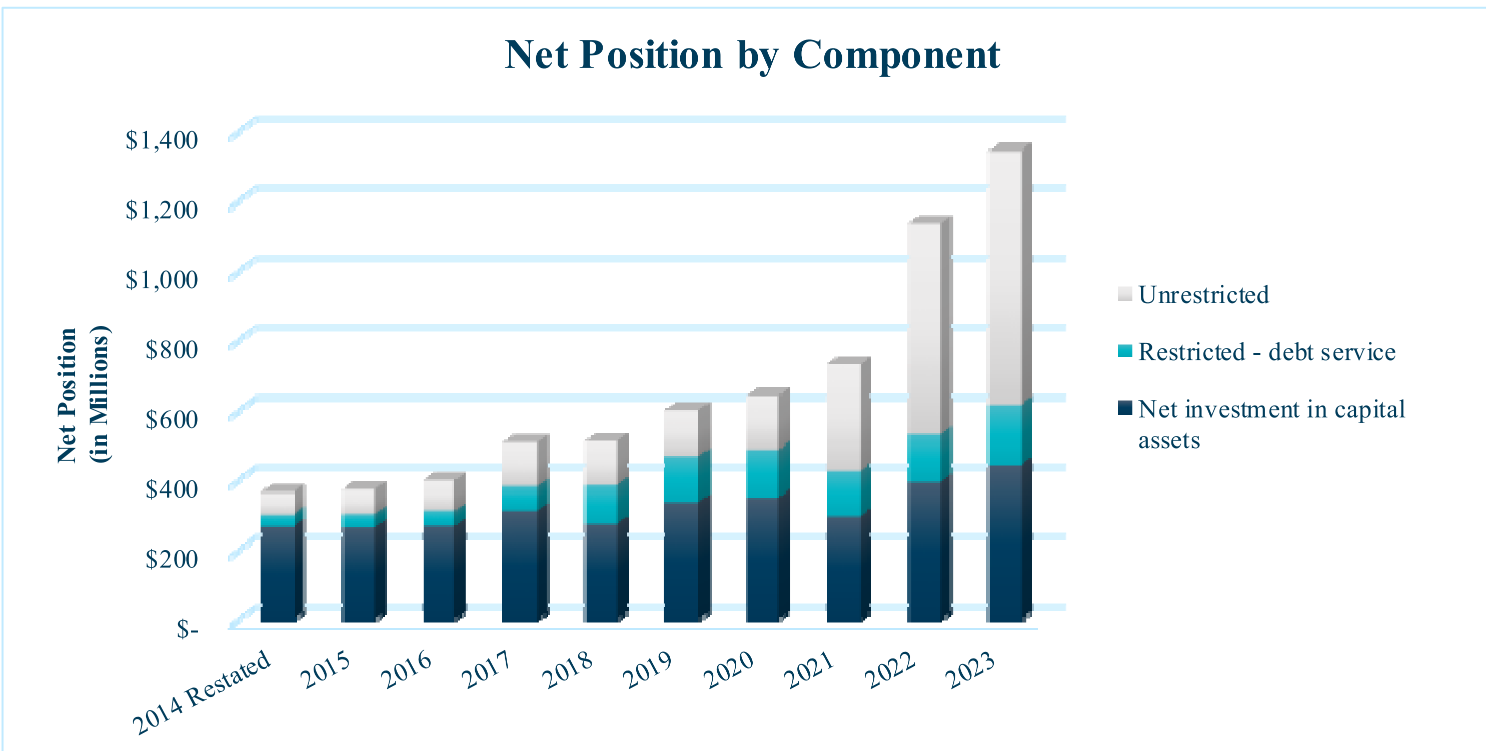
These schedules and graphs contain trend data about how the financial performance and condition of the Authority has changed over time.

## VIRGINIA PORT AUTHORITY

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

| | Fiscal Year June 30, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 Restated | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| | | | | | *(In Thousands)* | | | | | |
| Net Position | | | | | | | | | | |
| Net investment in capital assets | $ 265,717 | $ 263,651 | $ 268,348 | $ 311,480 | $ 273,121 | $ 336,719 | $ 349,644 | $ 296,253 | $ 393,528 | $ 442,106 |
| Restricted - debt service | 34,823 | 38,582 | 44,018 | 69,532 | 111,172 | 132,383 | 138,302 | 129,531 | 136,866 | 174,253 |
| Unrestricted | 63,856 | 70,269 | 86,252 | 126,099 | 126,087 | 131,909 | 153,754 | 307,136 | 605,463 | 727,108 |
| **Total net position** | $ 364,396 | $ 372,502 | $ 398,618 | $ 507,111 | $ 510,380 | $ 601,011 | $ 641,700 | $ 732,920 | $ 1,135,857 | $ 1,343,467 |

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 Year Ended June 30, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 Restated[1] | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| | | | | | (In Thousands) | | | | | |
| Operating revenues: | | | | | | | | | | |
| Operating revenues from component unit | $ 75,059 | $ 94,845 | $ 108,847 | $ 120,512 | $ 123,982 | $ 156,859 | $ 133,890 | $ 275,472 | $ 439,092 | $ 325,836 |
| Other revenues | 5,192 | 9,148 | 9,340 | 10,102 | 10,445 | 11,186 | 10,946 | 13,120 | 19,339 | 17,314 |
| Operating revenues - grants, federal and state | 7,763 | 5,295 | 6,391 | 2,114 | 5,534 | 5,198 | 5,704 | 5,915 | 4,105 | 1,501 |
| **Total operating revenues** | 88,014 | 109,288 | 124,578 | 132,728 | 139,961 | 173,243 | 150,540 | 294,507 | 462,536 | 344,651 |
| Operating expenses: | | | | | | | | | | |
| Terminal operations | 1,310 | 5,696 | 5,438 | 4,079 | 3,912 | 4,170 | 4,554 | 4,828 | 4,359 | 756 |
| Terminal maintenance | 8,324 | 2,410 | 3,743 | 2,053 | 3,879 | 2,441 | 3,495 | 4,881 | 4,608 | 5,126 |
| General and administrative | 26,206 | 19,339 | 20,042 | 18,025 | 20,339 | 22,039 | 25,819 | 23,232 | 17,781 | 16,430 |
| Facility rental | 52,480 | 55,679 | 55,619 | 17,429 | 396 | 1,451 | 1,682 | 293 | (13) | 4,573 |
| Depreciation and amortization | 43,085 | 42,609 | 44,018 | 70,124 | 79,098 | 79,673 | 96,403 | 113,978 | 165,406 | 164,941 |
| **Total operating expenses** | 131,405 | 125,733 | 128,860 | 111,710 | 107,624 | 109,774 | 131,953 | 147,212 | 192,141 | 191,826 |
| **Operating income (loss)** | (43,391) | (16,445) | (4,282) | 21,018 | 32,337 | 63,469 | 18,587 | 147,295 | 270,395 | 152,825 |
| Non-operating revenues (expenses): | | | | | | | | | | |
| Investment income (loss), net | 331 | 441 | 653 | 896 | 1,368 | 3,983 | 5,829 | 993 | (2,305) | 23,207 |
| Interest expense | (16,888) | (14,198) | (18,384) | (88,211) | (125,345) | (123,707) | (125,264) | (124,144) | (171,000) | (171,059) |
| Revenues from federal sources | 493 | 707 | 9,653 | 11,988 | 786 | 7,490 | 3,152 | 7,158 | 5,877 | 25,821 |
| Revenues from state sources | 306 | - | 6,143 | 6,791 | 3,265 | 3,345 | 2,725 | 3,453 | 8,520 | 43,717 |
| Revenues from private sources | - | - | - | - | - | - | - | - | 5,567 | 66,026 |
| Other income (expenses) | (69) | (627) | (3,292) | (4,977) | (2,486) | (3,665) | (3,418) | (4,354) | (5,090) | (2,802) |
| Gain (loss) on disposals | 3 | - | (1,107) | (21) | (1,769) | 744 | 225 | 94 | 481 | (534) |
| **Income (loss) before capital contributions** | (59,215) | (30,122) | (10,616) | (52,516) | (91,844) | (48,341) | (98,164) | 30,495 | 112,445 | 137,201 |
| Capital contributions: | | | | | | | | | | |
| Commonwealth Port Fund allocation | 36,652 | 38,418 | 42,367 | 41,469 | 41,126 | 43,051 | 41,922 | 48,778 | 57,821 | 60,051 |
| Capital contributions (to) from component unit | 159 | (190) | (288) | 22,447 | 710 | 1,489 | 284 | 148 | 1,638 | 638 |
| Payments to federal government - channel dredging | - | - | (5,500) | (845) | (984) | (3,224) | (17,402) | (54,679) | (23,335) | (66,366) |
| Capital contributions from other state agencies | - | - | 153 | - | - | - | - | 535 | - | - |
| Proceeds from primary government | - | - | - | 84,661 | 54,261 | 97,656 | 114,049 | 65,943 | 21,282 | 76,086 |
| Cumulative effect of changes in accounting principle[2] | - | - | - | - | - | - | - | - | 233,086 | - |
| **Increase (decrease) in net position** | (22,404) | 8,106 | 26,116 | 95,216 | 3,269 | 90,631 | 40,689 | 91,220 | 402,937 | 207,610 |
| Special item - lease conversion | - | - | - | 13,277 | - | - | - | - | - | - |
| **Increase (decrease) in net position after special item** | (22,404) | 8,106 | 26,116 | 108,493 | 3,269 | 90,631 | 40,689 | 91,220 | 402,937 | 207,610 |
| Net position - beginning of year | 386,800 | 364,396 | 372,502 | 398,618 | 507,111 | 510,380 | 601,011 | 641,700 | 732,920 | 1,135,857 |
| Net position - end of year | $ 364,396 | $ 372,502 | $ 398,618 | $ 507,111 | $ 510,380 | $ 601,011 | $ 641,700 | $ 732,920 | $ 1,135,857 | $ 1,343,467 |

Certain prior year amounts have been reclassified to conform to the presentation depicted in the financial statements presented herein.

[1] The presentation has been restated for the implementation of GASB 68 and the effect of the prior period adjustment for capitalized interest.

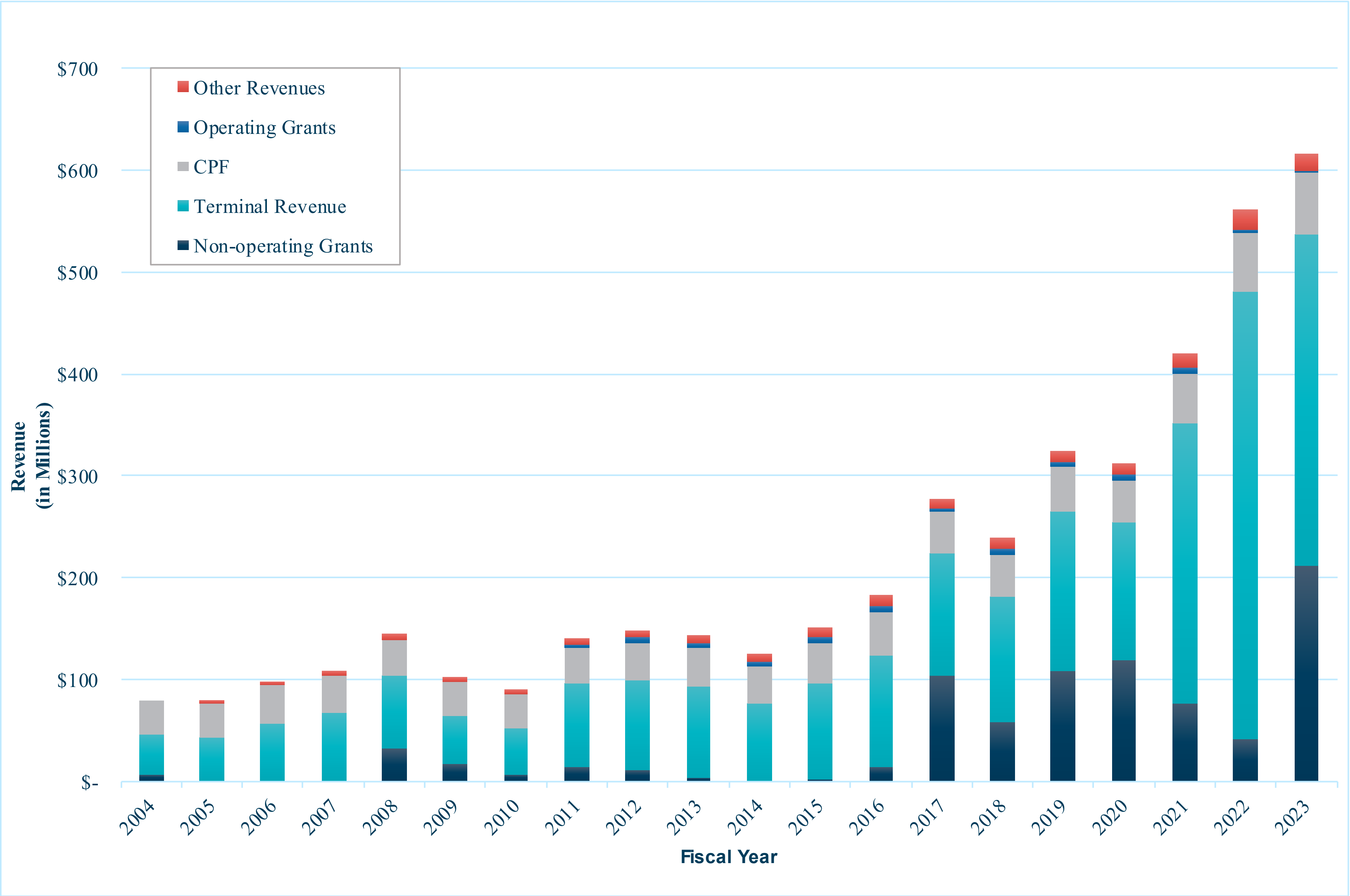
[2] The Authority adopted GASB Statement No. 87, *Leases*, in fiscal year 2022.

## HISTORICAL REVENUE COMPARISONS

This graph contains trend data about how the revenue sources of the Authority have changed over time.

**VIRGINIA PORT AUTHORITY**

**HISTORICAL REVENUE COMPARISONS**

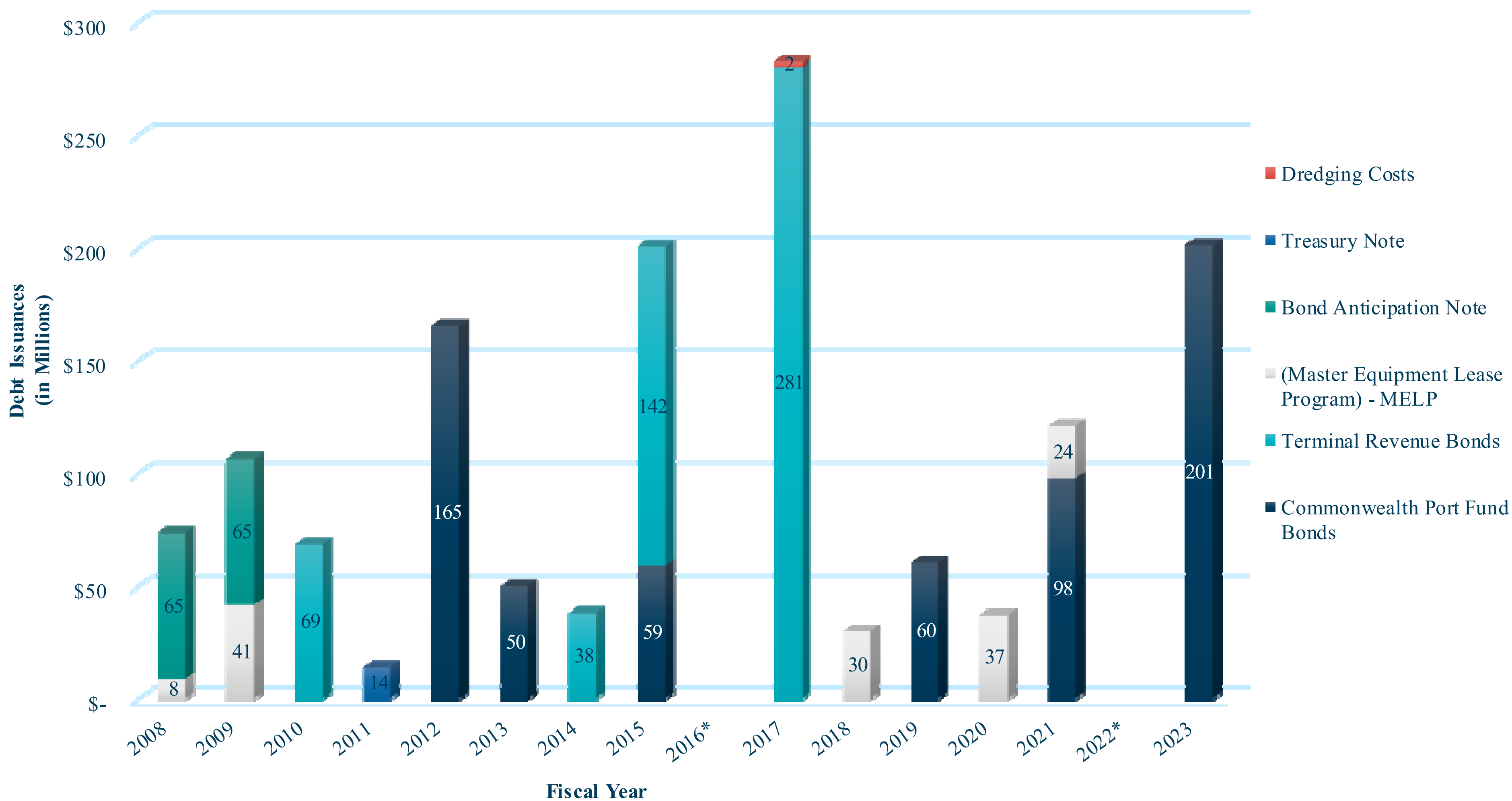


## **DEBT CAPACITY**

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

## VIRGINIA PORT AUTHORITY

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




*No new debt was issued in fiscal years 2016 or 2022.

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

(In Thousands)

| Fiscal Year Ending June 30, | Issued 1/25/2012 Series 2012 Principal | Series 2012 Interest | Series 2012 Debt Service | Issued 8/4/2020 Series 2020A Principal | Series 2020A Interest | Series 2020A Debt Service | Issued 8/4/2020 Series 2020B Principal | Series 2020B Interest | Series 2020B Debt Service | Issued 5/11/2023 Series 2023A Principal | Series 2023A Interest | Series 2023A Debt Service | Issued 5/11/2023 Series 2023B Principal | Series 2023B Interest | Series 2023B Debt Service | Total Bonds Debt Service |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2024 | $ 7,625 | $ 1,304 | $ 8,929 | $ 1,235 | $ 1,440 | $ 2,675 | $ 2,530 | $ 925 | $ 3,455 | $ - | $ 4,878 | $ 4,878 | $ - | $ 1,576 | $ 1,576 | $ 21,513 |
| 2025 | 7,875 | 1,049 | 8,924 | 1,240 | 1,432 | 2,672 | 2,655 | 796 | 3,451 | - | 7,636 | 7,636 | - | 2,466 | 2,466 | 25,149 |
| 2026 | 8,140 | 773 | 8,913 | 1,250 | 1,422 | 2,672 | 2,790 | 660 | 3,450 | - | 7,636 | 7,636 | - | 2,466 | 2,466 | 25,137 |
| 2027 | 8,425 | 477 | 8,902 | 1,260 | 1,410 | 2,670 | 2,930 | 517 | 3,447 | - | 7,636 | 7,636 | - | 2,466 | 2,466 | 25,121 |
| 2028 | 8,730 | 162 | 8,892 | 1,275 | 1,395 | 2,670 | 3,075 | 366 | 3,441 | - | 7,636 | 7,636 | - | 2,466 | 2,466 | 25,105 |
| 2029 | - | - | - | 7,540 | 1,334 | 8,874 | 3,230 | 209 | 3,439 | - | 7,636 | 7,636 | 2,145 | 2,412 | 4,557 | 24,506 |
| 2030 | - | - | - | 8,485 | 1,215 | 9,700 | 2,560 | 64 | 2,624 | - | 7,636 | 7,636 | 2,250 | 2,302 | 4,552 | 24,512 |
| 2031 | - | - | - | 11,655 | 1,055 | 12,710 | - | - | - | - | 7,636 | 7,636 | 2,360 | 2,187 | 4,547 | 24,893 |
| 2032 | - | - | - | 7,560 | 892 | 8,452 | - | - | - | - | 7,636 | 7,636 | 6,765 | 1,959 | 8,724 | 24,812 |
| 2033 | - | - | - | 295 | 819 | 1,114 | - | - | - | 1,390 | 7,601 | 8,991 | 7,100 | 1,613 | 8,713 | 18,818 |
| 2034 | - | - | - | 305 | 812 | 1,117 | - | - | - | 1,460 | 7,530 | 8,990 | 7,455 | 1,249 | 8,704 | 18,811 |
| 2035 | - | - | - | 310 | 806 | 1,116 | - | - | - | 1,530 | 7,455 | 8,985 | 7,830 | 866 | 8,696 | 18,797 |
| 2036 | - | - | - | 315 | 799 | 1,114 | - | - | - | 1,610 | 7,376 | 8,986 | 8,220 | 507 | 8,727 | 18,827 |
| 2037 | - | - | - | 325 | 792 | 1,117 | - | - | - | 1,685 | 7,294 | 8,979 | 8,550 | 171 | 8,721 | 18,817 |
| 2038 | - | - | - | 7,750 | 693 | 8,443 | - | - | - | 3,700 | 7,159 | 10,859 | - | - | - | 19,302 |
| 2039 | - | - | - | 7,940 | 501 | 8,441 | - | - | - | 3,885 | 6,969 | 10,854 | - | - | - | 19,295 |
| 2040 | - | - | - | 8,135 | 304 | 8,439 | - | - | - | 4,080 | 6,770 | 10,850 | - | - | - | 19,289 |
| 2041 | - | - | - | 8,335 | 102 | 8,437 | - | - | - | 4,285 | 6,561 | 10,846 | - | - | - | 19,283 |
| 2042 | - | - | - | - | - | - | - | - | - | 13,035 | 6,128 | 19,163 | - | - | - | 19,163 |
| 2043 | - | - | - | - | - | - | - | - | - | 13,690 | 5,460 | 19,150 | - | - | - | 19,150 |
| 2044 | - | - | - | - | - | - | - | - | - | 14,370 | 4,759 | 19,129 | - | - | - | 19,129 |
| 2045 | - | - | - | - | - | - | - | - | - | 15,090 | 4,004 | 19,094 | - | - | - | 19,094 |
| 2046 | - | - | - | - | - | - | - | - | - | 15,885 | 3,190 | 19,075 | - | - | - | 19,075 |
| 2047 | - | - | - | - | - | - | - | - | - | 16,715 | 2,333 | 19,048 | - | - | - | 19,048 |
| 2048 | - | - | - | - | - | - | - | - | - | 17,595 | 1,433 | 19,028 | - | - | - | 19,028 |
| 2049 | - | - | - | - | - | - | - | - | - | 18,515 | 486 | 19,001 | - | - | - | 19,001 |
| | $ 40,795 | $ 3,765 | $ 44,560 | $ 75,210 | $ 17,223 | $ 92,433 | $ 19,770 | $ 3,537 | $ 23,307 | $ 148,520 | $ 158,474 | $ 306,994 | $ 52,675 | $ 24,706 | $ 77,381 | $ 544,675 |
| | | | 7/1/2027 Maturity | | | 7/1/2040 Maturity | | | 7/1/2029 Maturity | | | 7/1/2048 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 primarily derived from the collection of motor vehicle fuel taxes, sales and use taxes, and annual motor vehicle registration fees by the Commonwealth.

**VIRGINIA PORT AUTHORITY**

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

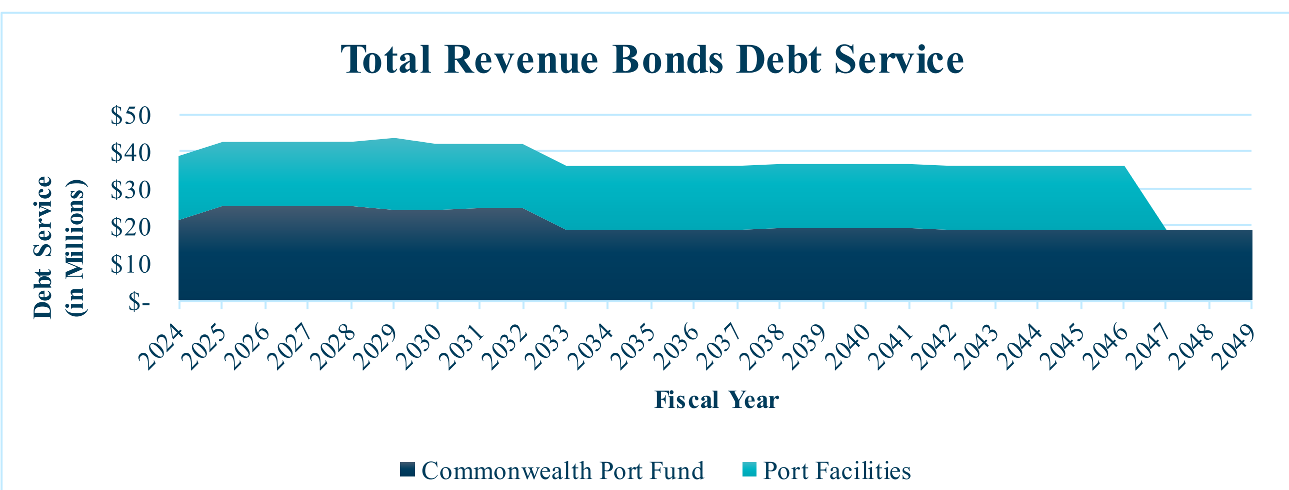
| Fiscal Year Ending June 30, | Issued 11/17/2016 Series 2016A | | | Issued 11/17/2016 Series 2016B | | | Issued 11/17/2016 Series 2016C | | | Total Bonds Debt Service |
|---|---|---|---|---|---|---|---|---|---|---|
| | Principal | Interest | Debt Service | Principal | Interest | Debt Service | Principal | Interest | Debt Service | |
| | | | | | *(In Thousands)* | | | | | |
| 2024 | $ 1,715 | $ 5,696 | $ 7,411 | $ 2,315 | $ 4,402 | $ 6,717 | $ 2,565 | $ 719 | $ 3,284 | $ 17,412 |
| 2025 | 1,765 | 5,649 | 7,414 | 2,430 | 4,284 | 6,714 | 2,645 | 635 | 3,280 | 17,408 |
| 2026 | 1,815 | 5,598 | 7,413 | 2,555 | 4,159 | 6,714 | 2,725 | 548 | 3,273 | 17,400 |
| 2027 | 1,880 | 5,544 | 7,424 | 2,680 | 4,028 | 6,708 | 2,805 | 458 | 3,263 | 17,395 |
| 2028 | 1,930 | 5,485 | 7,415 | 2,815 | 3,891 | 6,706 | 2,900 | 366 | 3,266 | 17,387 |
| 2029 | - | 5,455 | 5,455 | - | 3,820 | 3,820 | 9,840 | 159 | 9,999 | 19,274 |
| 2030 | 5,305 | 5,362 | 10,667 | 2,955 | 3,746 | 6,701 | - | - | - | 17,368 |
| 2031 | 5,490 | 5,171 | 10,661 | 3,105 | 3,595 | 6,700 | - | - | - | 17,361 |
| 2032 | 5,685 | 4,967 | 10,652 | 3,260 | 3,436 | 6,696 | - | - | - | 17,348 |
| 2033 | 5,895 | 4,737 | 10,632 | 3,425 | 3,269 | 6,694 | - | - | - | 17,326 |
| 2034 | 6,145 | 4,483 | 10,628 | 3,595 | 3,093 | 6,688 | - | - | - | 17,316 |
| 2035 | 6,405 | 4,217 | 10,622 | 3,775 | 2,909 | 6,684 | - | - | - | 17,306 |
| 2036 | 6,675 | 3,941 | 10,616 | 3,965 | 2,715 | 6,680 | - | - | - | 17,296 |
| 2037 | 6,960 | 3,653 | 10,613 | 4,160 | 2,512 | 6,672 | - | - | - | 17,285 |
| 2038 | 7,255 | 3,343 | 10,598 | 4,365 | 2,299 | 6,664 | - | - | - | 17,262 |
| 2039 | 7,580 | 3,011 | 10,591 | 4,585 | 2,075 | 6,660 | - | - | - | 17,251 |
| 2040 | 7,920 | 2,664 | 10,584 | 4,815 | 1,840 | 6,655 | - | - | - | 17,239 |
| 2041 | 8,270 | 2,301 | 10,571 | 5,060 | 1,594 | 6,654 | - | - | - | 17,225 |
| 2042 | 8,640 | 1,923 | 10,563 | 5,310 | 1,334 | 6,644 | - | - | - | 17,207 |
| 2043 | 9,030 | 1,527 | 10,557 | 5,575 | 1,062 | 6,637 | - | - | - | 17,194 |
| 2044 | 9,435 | 1,114 | 10,549 | 5,855 | 776 | 6,631 | - | - | - | 17,180 |
| 2045 | 9,855 | 682 | 10,537 | 6,150 | 476 | 6,626 | - | - | - | 17,163 |
| 2046 | 10,300 | 231 | 10,531 | 6,450 | 161 | 6,611 | - | - | - | 17,142 |
| | $ 135,950 | $ 86,754 | $ 222,704 | $ 89,200 | $ 61,476 | $ 150,676 | $ 23,480 | $ 2,885 | $ 26,365 | $ 399,745 |
| | | | 7/1/2045 Maturity | | | 7/1/2045 Maturity | | | 7/1/2028 Maturity | |

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

## VIRGINIA PORT AUTHORITY

## DEBT SERVICE PAYMENT REQUIREMENTS

| Fiscal Year Ending June 30, | Commonwealth Port Fund Revenue Bonds Debt Service | Port Facilities Revenue Bonds Debt Service | Total Revenue Bonds Debt Service |
|---|---|---|---|
| | | *(In Thousands)* | |
| 2024 | $ 21,513 | $ 17,412 | $ 38,925 |
| 2025 | 25,149 | 17,408 | 42,557 |
| 2026 | 25,137 | 17,400 | 42,537 |
| 2027 | 25,121 | 17,395 | 42,516 |
| 2028 | 25,105 | 17,387 | 42,492 |
| 2029 | 24,506 | 19,274 | 43,780 |
| 2030 | 24,512 | 17,368 | 41,880 |
| 2031 | 24,893 | 17,361 | 42,254 |
| 2032 | 24,812 | 17,348 | 42,160 |
| 2033 | 18,818 | 17,326 | 36,144 |
| 2034 | 18,811 | 17,316 | 36,127 |
| 2035 | 18,797 | 17,306 | 36,103 |
| 2036 | 18,827 | 17,296 | 36,123 |
| 2037 | 18,817 | 17,285 | 36,102 |
| 2038 | 19,302 | 17,262 | 36,564 |
| 2039 | 19,295 | 17,251 | 36,546 |
| 2040 | 19,289 | 17,239 | 36,528 |
| 2041 | 19,283 | 17,225 | 36,508 |
| 2042 | 19,163 | 17,207 | 36,370 |
| 2043 | 19,150 | 17,194 | 36,344 |
| 2044 | 19,129 | 17,180 | 36,309 |
| 2045 | 19,094 | 17,163 | 36,257 |
| 2046 | 19,075 | 17,142 | 36,217 |
| 2047 | 19,048 | - | 19,048 |
| 2048 | 19,028 | - | 19,028 |
| 2049 | 19,001 | - | 19,001 |
| | $ 544,675 | $ 399,745 | $ 944,420 |



## VIRGINIA PORT AUTHORITY

## RATIO OF OUTSTANDING REVENUE BONDS, MASTER EQUIPMENT LEASE FINANCINGS, AND NOTES PAYABLE[1] BY TYPE TO OPERATING REVENUES

| Fiscal Year Ended June 30, | Port Facilities Revenue Bonds* | Commonwealth Port Fund Revenue Bonds* | Master Equipment Lease Financing | Other Long-Term Debt* | Total | Ratio - Total Debt to Operating Revenues | Total Business-Type Activities Operating Revenues |
|---|---|---|---|---|---|---|---|
| | | | | *(In Thousands)* | | | |
| 2014 | $ 265,515 | $ 219,230 | $ 33,290 | $ - | $ 518,035 | 1.31 | $ 396,669 |
| 2015 | 255,360 | 266,280 | 23,791 | - | 545,431 | 1.20 | 456,169 |
| 2016 | 251,995 | 254,350 | 17,292 | - | 523,637 | 1.15 | 454,819 |
| 2017 | 280,530 | 243,770 | - | 2,158 | 526,458 | 1.07 | 490,835 |
| 2018 | 278,395 | 234,420 | 29,937 | 2,158 | 544,910 | 1.01 | 537,045 |
| 2019 | 272,830 | 227,890 | 28,440 | 2,112 | 531,272 | 0.94 | 567,620 |
| 2020 | 267,085 | 217,805 | 62,933 | 2,064 | 549,887 | 1.07 | 512,909 |
| 2021 | 261,145 | 218,740 | 81,971 | 2,015 | 563,871 | 0.88 | 638,615 |
| 2022 | 254,995 | 206,950 | 75,524 | 1,965 | 539,434 | 0.60 | 897,151 |
| 2023 | 248,630 | 336,970 | 68,883 | - | 654,483 | 0.80 | 814,766 |

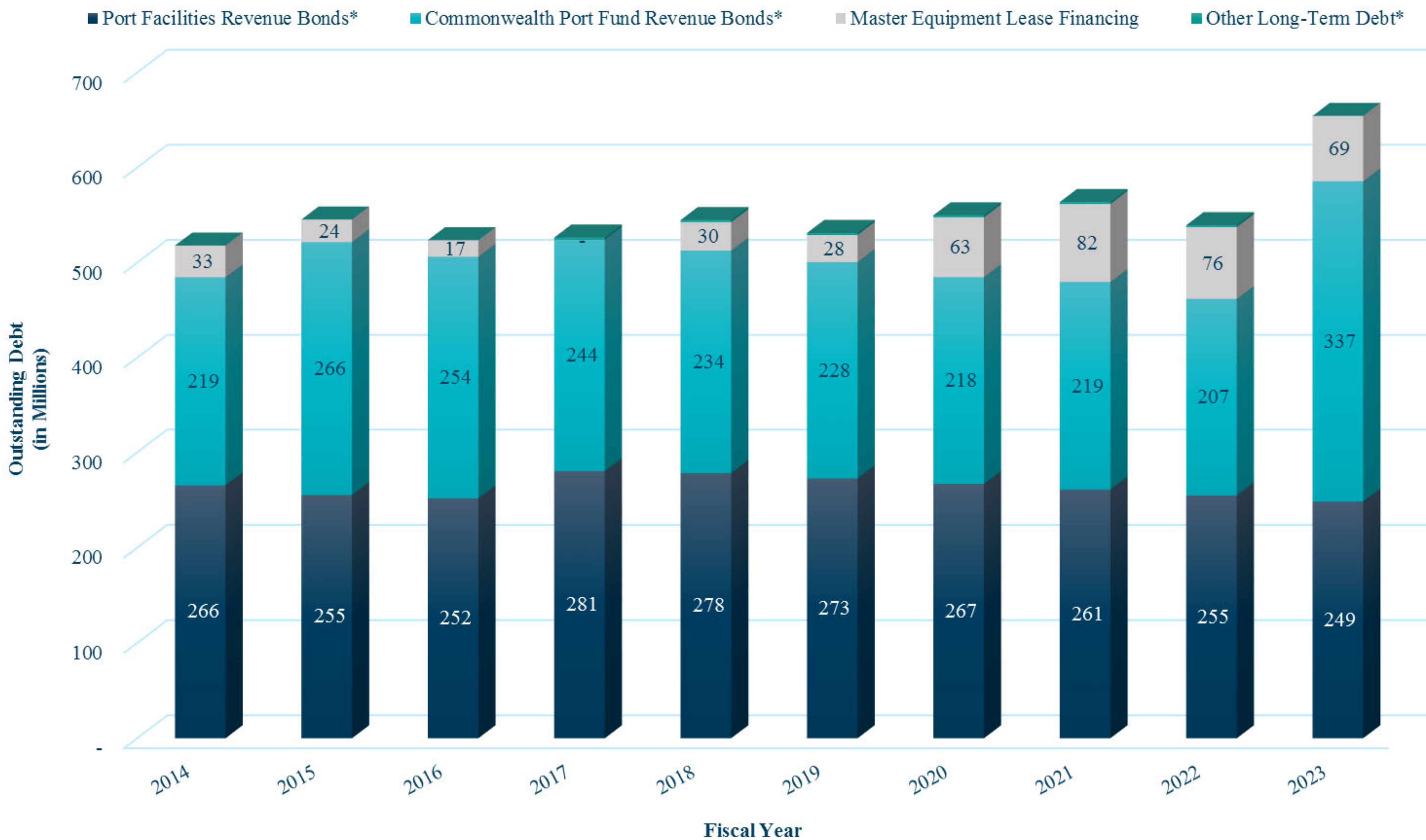
* at par value - does not include premiums or deferred amounts

[1] The above table considers debt in the context of principal repayment obligations for borrowed funds to finance capital needs. Commensurate with issuance, there may be premiums/discounts associated with the debt. The table also excludes liabilities originating from the amended and restated lease with Virginia International Gateway, Inc., other leases under GASB 87, and subscriptions under GASB 96. Please see Note 6 and Note 12 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**

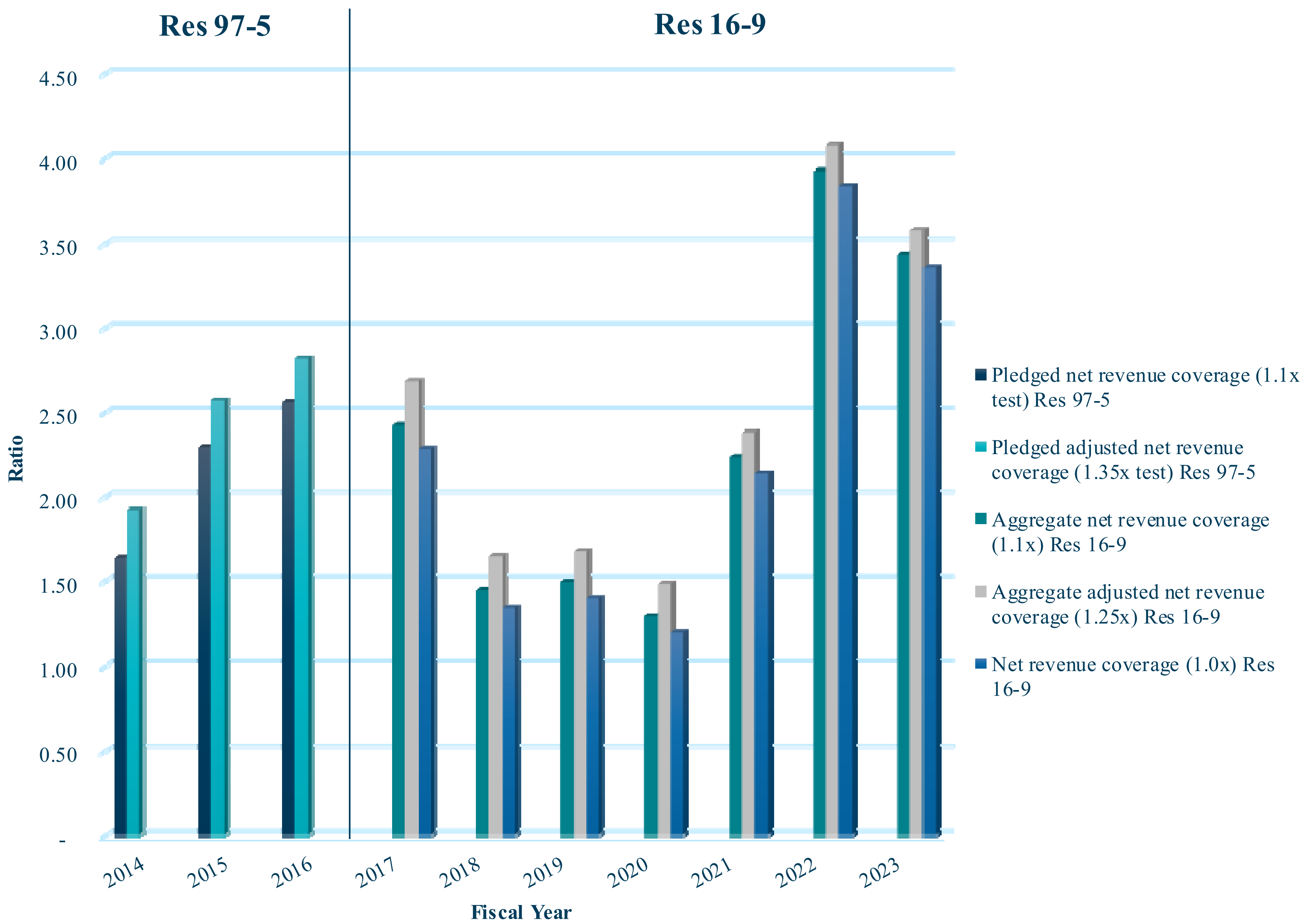



* at par value – does not include premiums or deferred amounts

Note: Does not include the VIG lease liabilities or other liabilities recorded pursuant to GASB 87 and GASB 96. Please refer to Note 6 for further detail of these liabilities.

**VIRGINIA PORT AUTHORITY**

**HISTORICAL DEBT SERVICE COVERAGE RATIOS**



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

**OPERATING RESULTS AND DEBT SERVICE COVERAGE RESOLUTION NO. 97-5**
**CASH BASIS**

| | Fiscal Year Ended June 30, | | |
|---|---|---|---|
| | 2014 | 2015 | 2016 |
| | | *(In Thousands)* | |
| **Virginia International Terminals** | | | |
| Gross receipts | $ 312,014 | $ 356,487 | $ 420,226 |
| Current expenses | (223,496) | (258,034) | (304,120) |
| CE reserve withdrawal (deposit) | 2,596 | 3,451 | (4,653) |
| Deposits to CEMA | (9,243) | (7,215) | (8,690) |
| Capital asset proceeds (expense) credit | (733) | (673) | (336) |
| **VIT net revenue** | $ 81,138 | $ 94,016 | $ 102,427 |
| **Virginia Port Authority** | | | |
| Gross revenues: | | | |
| VIT net revenue | $ 81,138 | $ 94,016 | $ 102,427 |
| Other income | 6,924 | 7,991 | 25,310 |
| Interest income | 9 | 140 | 6 |
| **Total VPA gross revenues** | 88,071 | 102,147 | 127,743 |
| Current expenses | (72,578) | (78,802) | (93,003) |
| **Net revenues** | $ 15,493 | $ 23,345 | $ 34,740 |
| CPF for O&M | $ 4,338 | $ 3,765 | $ 4,409 |
| **Debt Service Coverage** | | | |
| Port facilities revenue bonds: | | | |
| Net debt service | $ 15,114 | $ 13,333 | $ 16,985 |
| Pledged net revenues | 24,737 | 30,559 | 43,431 |
| Pledged adjusted net revenues | 29,075 | 34,324 | 47,839 |
| Pledged net revenue coverage | 1.64 | 2.29 | 2.56 |
| Pledged adjusted net revenue coverage | 1.92 | 2.57 | 2.82 |

Note: 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 RESOLUTION NO. 16-9

| | Fiscal Year Ended June 30, | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| | | | | *(In Thousands)* | | | |
| **VIRGINIA INTERNATIONAL TERMINALS** | | | | | | | |
| VIT/HRCP II gross receipts | $ 484,494 | $ 550,211 | $ 589,670 | $ 556,625 | $ 631,182 | $ 905,761 | $ 874,054 |
| VIT/HRCP II current expenses | (350,771) | (421,533) | (419,549) | (416,717) | (403,298) | (471,421) | (474,095) |
| VIT liquidity reserve withdrawal (deposit) | (2,543) | 6,061 | (10,031) | (677) | 4,745 | (721) | (6,649) |
| One-time cash transfers HRCP II | 5,827 | - | - | - | - | - | - |
| VIT CEMA liquidation | 16,061 | - | - | - | - | - | - |
| VIT/HRCP II port operator capital expenditures **(A)** | (7,579) | (11,046) | (6,456) | (11,091) | (8,193) | (9,067) | (6,095) |
| **VIT/HRCP II payment (per Payment Agreement to VPA)** | 145,489 | 123,693 | 153,634 | 128,140 | 224,436 | 424,552 | 387,215 |
| **VIRGINIA PORT AUTHORITY** | | | | | | | |
| Gross revenues: | | | | | | | |
| VIT/HRCP II payment per Payment Agreement | 145,489 | 123,693 | 153,634 | 128,140 | 224,436 | 424,552 | 387,215 |
| Other VPA income and interest income | 10,037 | 11,186 | 15,052 | 17,247 | 20,271 | 21,433 | 33,789 |
| **Total gross revenues** | 155,526 | 134,879 | 168,686 | 145,387 | 244,707 | 445,985 | 421,004 |
| Current expenses: | | | | | | | |
| Terminal expenditures | (26,488) | (24,606) | (27,837) | (27,756) | (22,669) | (21,440) | (20,175) |
| Operating lease payments | (17,429) | (185) | (185) | (185) | (132) | (793) | (902) |
| **Total current expenses** | (43,917) | (24,791) | (28,022) | (27,941) | (22,801) | (22,233) | (21,077) |
| **Net revenue (B)** | 111,609 | 110,088 | 140,664 | 117,446 | 221,906 | 423,752 | 399,927 |
| VPA Commonwealth Port Fund used for O & M **(P)** | 7,657 | 8,162 | 9,975 | 10,192 | 6,097 | 7,373 | 6,551 |
| VPA Commonwealth Port Fund used for VIG rent **(Q)** | 5,831 | 9,996 | 9,996 | 9,996 | 9,996 | 9,996 | 9,966 |
| Revenue stabilization fund balance | 29,082 | 39,661 | 39,973 | 40,116 | 39,933 | 39,338 | 39,899 |
| 25% of revenue stabilization fund balance **(D)** | 7,271 | 9,915 | 9,993 | 10,029 | 9,983 | 9,835 | 9,975 |
| Net revenue (B) | 111,609 | 110,088 | 140,664 | 117,446 | 221,906 | 423,752 | 399,927 |
| Aggregate net revenue **(E)** (E = B + D - A) | 126,459 | 131,049 | 157,113 | 138,566 | 240,082 | 442,654 | 415,997 |
| Adjusted net revenue **(F)** (F = B + P + Q) | 125,097 | 128,246 | 160,635 | 137,634 | 237,999 | 441,121 | 416,444 |
| Aggregate adjusted net revenue **(G)** (G = F + D - A) | 139,947 | 149,207 | 177,084 | 158,754 | 256,175 | 460,023 | 432,514 |
| **DEBT SERVICE COVERAGE** | | | | | | | |
| Senior debt service: | | | | | | | |
| Senior obligations | 42,578 | 72,795 | 87,818 | 90,299 | 90,092 | 95,352 | 103,962 |
| Series 2016 Bonds principal and interest requirements | 9,614 | 17,537 | 17,504 | 17,068 | 17,414 | 17,387 | 17,211 |
| **Aggregate principal and interest requirements (C)** | $ 52,192 | $ 90,332 | $ 105,322 | $ 107,367 | $ 107,506 | $ 112,739 | $ 121,173 |

| Debt Service Coverage | Actual 2017 | Actual 2018 | Actual 2019 | Actual 2020 | Actual 2021 | Actual 2022 | Actual 2023 |
|---|---|---|---|---|---|---|---|
| Aggregate net revenue coverage (E/C > 1.1x) | 2.42 | 1.45 | 1.49 | 1.29 | 2.23 | 3.93 | 3.43 |
| Aggregate adjusted net revenue coverage (G/C > 1.25x) | 2.68 | 1.65 | 1.68 | 1.48 | 2.38 | 4.08 | 3.57 |
| Net revenue coverage ((B-A)/C > 1.0x) | 2.28 | 1.34 | 1.40 | 1.20 | 2.14 | 3.84 | 3.35 |

Note: 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.

# THE PORT
## BY THE NUMBERS

### ECONOMIC DEVELOPMENT

**More than $1.4 billion** in current infrastructure projects and ongoing investments

**200+ port-related economic development announcements** over the past 5 years

**Committed to Net-Zero carbon emissions by 2040** and in 2024 all marine terminals will be powered by 100% clean energy

### MID-ATLANTIC LOCATION

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

**75% of the U.S. population** lives within a two days' drive from The Port of Virginia

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

### SERVICES

**Nearly 40 international shipping line services** offer direct access to **more than 90 foreign ports**

**15 new ocean services** added since the beginning of FY2022

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 THE NUMBERS

## RAIL

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

**East Coast's largest intermodal rail port** with a new service to Memphis

**36 percent of cargo** arrived and departed the port by rail in FY2023

## CAPACITY

**5.8M total TEU capacity** following completion of ongoing infrastructure projects

**27 Suez-class** ship-to-shore cranes, growing to 31 in future

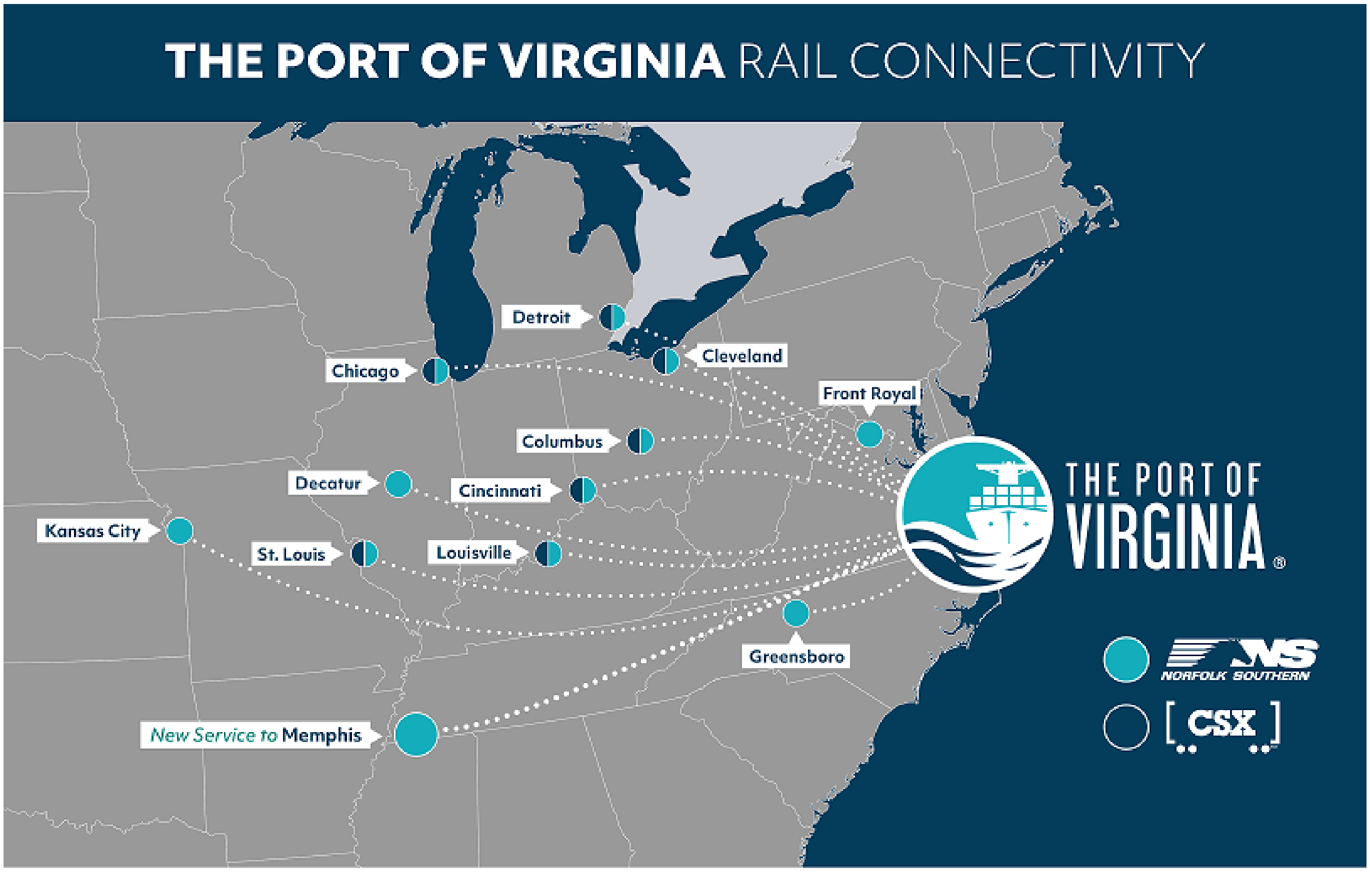
**55' channel dredging project** will allow for two-way ULCV traffic by the end of 2024

## IMPACT

Responsible for more than **565,000 full- and part-time jobs**

Helps drive more than **$124 billion in total spending in Virginia**

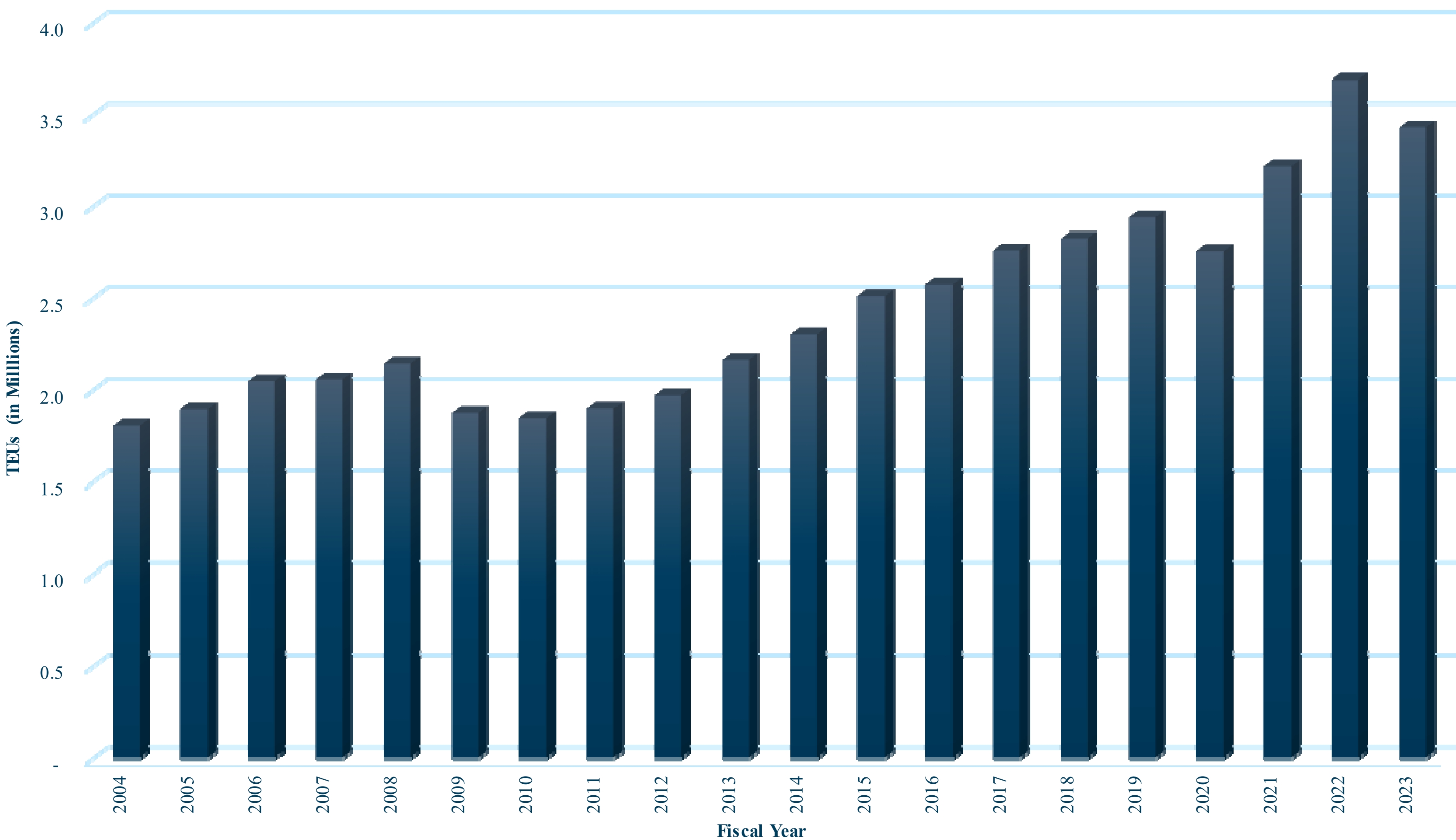
Creates **$5.8 billion** in state and local taxes


THE PORT OF VIRGINIA RAIL CONNECTIVITY
Detroit
Cleveland
Chicago
Front Royal
Columbus
Decatur
Cincinnati
Kansas City
St. Louis
Louisville
Greensboro
New Service to Memphis
THE PORT OF VIRGINIA
NORFOLK SOUTHERN
CSX


THE PORT OF VIRGINIA TERMINALS
Winchester
Virginia Inland Port
Falls Church
Fairfax City
Front Royal
Manassas
DELAWARE
Harrisonburg
Fredericksburg
Staunton
Waynesboro
Charlottesville
Clifton Forge
Lexington
Covington
Buena Vista
VIRGINIA
Richmond Marine Terminal
Fincastle
Lynchburg
Petersburg
Hopewell
Newport News
Hampton
Bedford
Roanoke
Rocky Mount
Portsmouth
Norfolk
Virginia Beach
Chesapeake
Martinsville
South Boston
South Hill
Emporia
Suffolk
Franklin
Danville
Newport News Marine Terminal
Norfolk International Terminals
Virginia International Gateway
Portsmouth Marine Terminal

**VIRGINIA PORT AUTHORITY**

**TWENTY-FOOT EQUIVALENT UNIT (TEU) CONTAINER THROUGHPUT**



# Hampton Roads Harbor

## *Calendar 2022 Trade Overview*

| TOTAL | Short Tons (Thousands) |
|---|---|
| Total Cargo | 65,475 |
| General Cargo | 26,152 |
| Container Cargo | 25,995 |
| Breakbulk Cargo* | 158 |
| Container Units | 2,055,043 |
| TEUs | 3,703,230 |
| Total Cargo Dollar Value (Millions) | $106,513 |

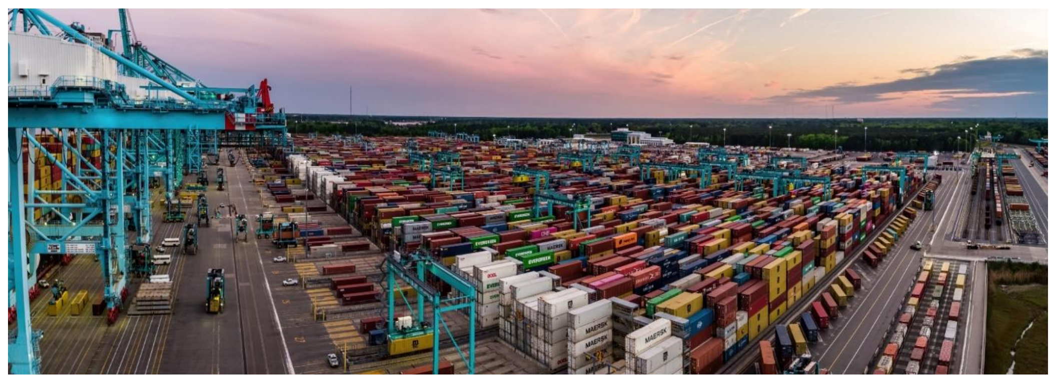
| EXPORT | Short Tons (Thousands) |
|---|---|
| Total Cargo | 49,949 |
| General Cargo | 11,915 |
| Container Cargo | 11,898 |
| Breakbulk Cargo | 17 |
| Container Units | 1,066,985 |
| TEUs | 1,927,045 |
| Total Cargo Dollar Value (Millions) | $35,383 |

| IMPORT | Short Tons (Thousands) |
|---|---|
| Total Cargo | 15,526 |
| General Cargo | 14,237 |
| Container Cargo | 14,097 |
| Breakbulk Cargo | 141 |
| Container Units | 988,058 |
| TEUs | 1,776,185 |
| Total Cargo Dollar Value (Millions) | $71,130 |

| | |
|---|---|
| Vessel Calls | 2,350 |
| Coal Loadings* Short Tons (Thousands) | 32,088 |

*Coal loadings and breakbulk cargo include international and domestic shipments

| US East Coast Port | TEUs | East Coast Market Share |
|---|---|---|
| New York/New Jersey | 9,484,841 | 36.1% |
| Savannah | 5,892,133 | 22.5% |
| Port of Virginia | 3,703,231 | 14.1% |
| Charleston (SC) | 2,792,318 | 10.6% |
| Miami | 1,184,775 | 4.5% |
| Port Everglades | 1,091,289 | 4.2% |
| Baltimore | 1,069,421 | 4.1% |
| Philadelphia | 762,121 | 2.9% |
| Palm Beach | 262,422 | 1.0% |



*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*

THE PORT OF VIRGINIA

## *Calendar 2022 Total Cargo in Thousands of Short Tons*

### Top 10 Trading Partners

| | Exports | | | Imports | |
|---|---|---|---|---|---|
| 1 | India | 9,380 | 1 | China | 2,639 |
| 2 | Netherlands | 5,646 | 2 | India | 1,731 |
| 3 | Brazil | 4,248 | 3 | Germany | 1,199 |
| 4 | China | 4,155 | 4 | Vietnam | 809 |
| 5 | United Kingdom | 2,272 | 5 | Italy | 784 |
| 6 | Morocco | 2,044 | 6 | France | 586 |
| 7 | Japan | 2,031 | 7 | Spain | 561 |
| 8 | Germany | 1,794 | 8 | Greece | 519 |
| 9 | France | 1,508 | 9 | Turkey | 463 |
| 10 | Turkey | 1,380 | 10 | Brazil | 453 |

### Top 10 Commodities

| | Exports | | | Imports | |
|---|---|---|---|---|---|
| 1 | Mineral Fuels, Mineral Oils | 32,957 | 1 | Nuclear Reactors, Boilers | 1,375 |
| 2 | Oil Seeds And Oleaginous Fruits | 3,742 | 2 | Salt; Sulfur; Earths And Stone | 1,194 |
| 3 | Wood And Articles Of Wood; Wood Charcoal | 2,990 | 3 | Plastics And Articles Thereof | 1,045 |
| 4 | Residues And Waste From The Food Industries | 1,839 | 4 | Furniture; Bedding | 1,042 |
| 5 | Pulp Of Wood | 1,556 | 5 | Wood And Articles Of Wood | 684 |
| 6 | Plastics And Articles Thereof | 766 | 6 | Articles Of Iron Or Steel | 662 |
| 7 | Iron And Steel | 701 | 7 | Vehicles | 649 |
| 8 | Cereals | 643 | 8 | Electrical Machinery | 591 |
| 9 | Beverages, Spirits And Vinegar | 334 | 9 | Beverages, Spirits And Vinegar | 562 |
| 10 | Paper And Paperboard | 326 | 10 | Articles Of Stone, Plaster, Cement | 531 |

### Trade Lanes

| | Export | Import |
|---|---|---|
| Africa | 3,327 | 252 |
| Asia, Northeast | 7,657 | 3,403 |
| Asia, Southeast | 2,656 | 1,873 |
| Caribbean | 408 | 86 |
| Central AM | 227 | 43 |
| Europe, North | 15,018 | 4,033 |
| India & Others | 9,665 | 1,980 |
| Mediterranean | 4,742 | 2,500 |
| Middle East | 497 | 184 |
| North America | 303 | 86 |
| Oceania | 67 | 25 |
| South America | 5,382 | 1,061 |

### Top U.S. Ports

| | | |
|---|---|---|
| 1 | Houston, TX | 220,516 |
| 2 | Corpus Christi, TX | 150,523 |
| 3 | New Orleans, LA | 123,756 |
| 4 | Los Angeles, CA | 78,637 |
| 5 | Newark, NJ | 76,672 |
| 6 | Norfolk-Newport News, VA | 65,476 |
| 7 | Gramercy, LA | 62,533 |
| 8 | Long Beach, CA | 59,718 |
| 9 | Port Arthur, TX | 52,598 |
| 10 | Savannah, GA | 50,937 |

*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 2022 Total Cargo in Millions of U.S. Dollars

### Top 10 Trading Partners

| Exports | | Imports | |
|---|---|---|---|
| 1 China | $4,024 | 1 China | $11,814 |
| 2 Germany | $2,481 | 2 Germany | $7,907 |
| 3 Netherlands | $1,880 | 3 India | $7,745 |
| 4 Belgium | $1,741 | 4 Italy | $4,366 |
| 5 United Kingdom | $1,599 | 5 Vietnam | $3,781 |
| 6 India | $1,575 | 6 Japan | $3,196 |
| 7 Austria | $1,442 | 7 Malaysia | $2,402 |
| 8 Japan | $1,379 | 8 United Kingdom | $1,960 |
| 9 Spain | $1,357 | 9 France | $1,822 |
| 10 France | $1,123 | 10 Thailand | $1,619 |

### Top 10 Commodities

| Exports | | Imports | |
|---|---|---|---|
| 1 Pharmaceutical Products | $4,353 | 1 Nuclear Reactors, Boilers | $14,577 |
| 2 Nuclear Reactors, Boilers | $3,779 | 2 Electrical Machinery | $6,248 |
| 3 Plastics And Articles Thereof | $2,971 | 3 Vehicles | $4,125 |
| 4 Oil Seeds And Oleaginous Fruits | $2,177 | 4 Pharmaceutical Products | $3,600 |
| 5 Miscellaneous Chemical Products | $1,621 | 5 Plastics And Articles Thereof | $3,592 |
| 6 Vehicles | $1,474 | 6 Furniture; Bedding, Mattresses | $3,574 |
| 7 Organic Chemicals | $1,221 | 7 Organic Chemicals | $2,520 |
| 8 Wood And Articles Of Wood; Wood Charcoal | $1,194 | 8 Articles Of Iron Or Steel | $2,018 |
| 9 Electrical Machinery | $1,094 | 9 Articles Of Apparel And Clothing | $1,705 |
| 10 Residues And Waste From The Food Industries | $1,078 | 10 Toys, Games And Sports Equipment | $1,660 |

### Trade Lanes

| | Export | Import |
|---|---|---|
| Africa | $2,059 | $856 |
| Asia, Northeast | $7,317 | $17,518 |
| Asia, Southeast | $3,357 | $10,609 |
| Caribbean | $332 | $52 |
| Central AM | $412 | $305 |
| Europe, North | $12,979 | $21,958 |
| India & Others | $1,974 | $9,279 |
| Mediterranean | $2,606 | $8,184 |
| Middle East | $1,847 | $609 |
| North America | $98 | $110 |
| Oceania | $357 | $99 |
| South America | $2,148 | $1,682 |

### Top U.S. Ports

| | |
|---|---|
| 1 Los Angeles, CA | $310,902 |
| 2 Houston, TX | $240,084 |
| 3 Newark, NJ | $221,146 |
| 4 Savannah, GA | $146,771 |
| 5 Long Beach, CA | $120,999 |
| 6 Norfolk-Newport News, VA | $106,750 |
| 7 Charleston, SC | $97,281 |
| 8 Corpus Christi, TX | $94,400 |
| 9 New Orleans, LA | $77,015 |
| 10 Baltimore, MD | $74,313 |

*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**
The Port of Virginia

**Coal Terminals**
Dominion Terminal Associates
Kinder Morgan Bulk Terminals - Pier IX
Norfolk Southern Corporation

**Refrigerated Facilities**
Lineage (formerly IRPS)

**Dry Bulk and Grain Handling Facilities**
Kinder Morgan Money Point Terminal
Kinder Morgan Terminals - Elizabeth River Terminals, LLC
Perdue Agribusiness, LLC
SeaGate Terminals, LLC

**Liquid Bulk Terminals**
BKEP Materials, LLC
IMTT - Virginia
Kinder Morgan Norfolk Terminals
Kinder Morgan South Hill Terminal
Marine Oil Service, Inc.
Norfolk Oil Transit, Inc.
PAPCO - World Fuel Services

## VIRGINIA PORT AUTHORITY

## OTHER OPERATIONAL INFORMATION

***This schedule presents information about the Authority's personnel.***

| Type | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| Sworn Officers/Security Personnel/Safety | 39 | 47 | 51 | 50 | 49 | 54 | 53 | 52 | 52 | 50 |
| Marketing/ Economic Development Personnel | 18 | 25 | 17 | 18 | 19 | 19 | 18 | 24 | 18 | 18 |
| Strategic Planning, Engineering & Acquisition Personnel | 8 | 8 | 24 | 27 | 23 | 40 | 35 | 30 | 26 | 30 |
| Information Technology Personnel | - | - | 41 | 41 | 39 | 34 | 31 | 31 | 31 | 27 |
| Administrative Personnel | 18 | 56 | 63 | 67 | 70 | 73 | 84 | 78 | 80 | 79 |
| **Authority Totals** | 83 | 136 | 196 | 203 | 200 | 220 | 221 | 215 | 207 | 204 |

**VIRGINIA PORT AUTHORITY**
**SOURCE AND USE DATA**
**Fiscal Year Ended June 30, 2023**
***(In Thousands)***

| | | | | | |
|---|---|---|---|---|---|
| Operating revenues | $ 344,651 | 54% | Operating expenses | $ 191,826 | 44% |
| Non-operating revenues | 295,546 | 46% | Non-operating expenses | 240,761 | 56% |
| **Total revenues** | $ 640,197 | | **Total expenses** | $ 432,587 | |

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 and Other State Agency transfers, and federal and private sources.

Of the operating revenues, $325,836 or 95% are operating transfers based on the net cash flows of Virginia International Terminals. Their tariff rates are published at https://www.portofvirginia.com/tools/schedule-of-rates/. Currently, 57% 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 Year Ended June 30, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| Terminals Operated (total) | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Owned | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Leased | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Land (acres) | 1,592 | 1,592 | 1,592 | 1,592 | 1,592 | 1,592 | 1,592 | 2,101 | 2,180 | 2,073 |
| Berth/Wharf (linear feet) | 18,439 | 18,439 | 17,955 | 17,935 | 17,935 | 18,736 | 18,736 | 19,885 | 19,885 | 19,885 |
| Rail Track (linear feet) | 177,020 | 177,020 | 184,795 | 204,607 | 204,607 | 208,495 | 208,495 | 246,188 | 333,704 | 239,759 |
| On-Terminal Warehouse (sq. ft.) | 2,614,105 | 2,614,105 | 2,698,000 | 2,638,105 | 2,638,105 | 2,017,305 | 2,017,305 | 2,017,305 | 2,017,305 | 2,017,305 |
| | *(In Thousands)* | | | | | | | | | |
| Net Book Value of Capital Assets | $ 770,414 | $ 756,659 | $ 753,053 | $ 912,375 | $ 967,089 | $ 1,089,778 | $ 1,209,876 | $ 1,218,058 | $ 1,204,434 | $ 1,373,955 |
| Construction in progress | 131,136 | 108,313 | 122,437 | 195,488 | 291,099 | 311,684 | 205,797 | 160,677 | 173,820 | 368,955 |
| Land | 105,540 | 105,540 | 102,749 | 103,936 | 103,936 | 103,936 | 103,936 | 104,471 | 104,471 | 104,471 |
| Buildings and infrastructure | 723,746 | 765,087 | 780,966 | 851,513 | 857,601 | 935,250 | 1,072,451 | 1,121,101 | 1,137,172 | 1,138,576 |
| Equipment | 288,456 | 298,792 | 304,165 | 370,714 | 370,798 | 448,464 | 596,454 | 660,698 | 643,410 | 687,652 |
| Depreciation (accumulated) | (478,464) | (521,073) | (557,264) | (609,276) | (656,345) | (709,556) | (768,762) | (828,889) | (854,439) | (925,699) |



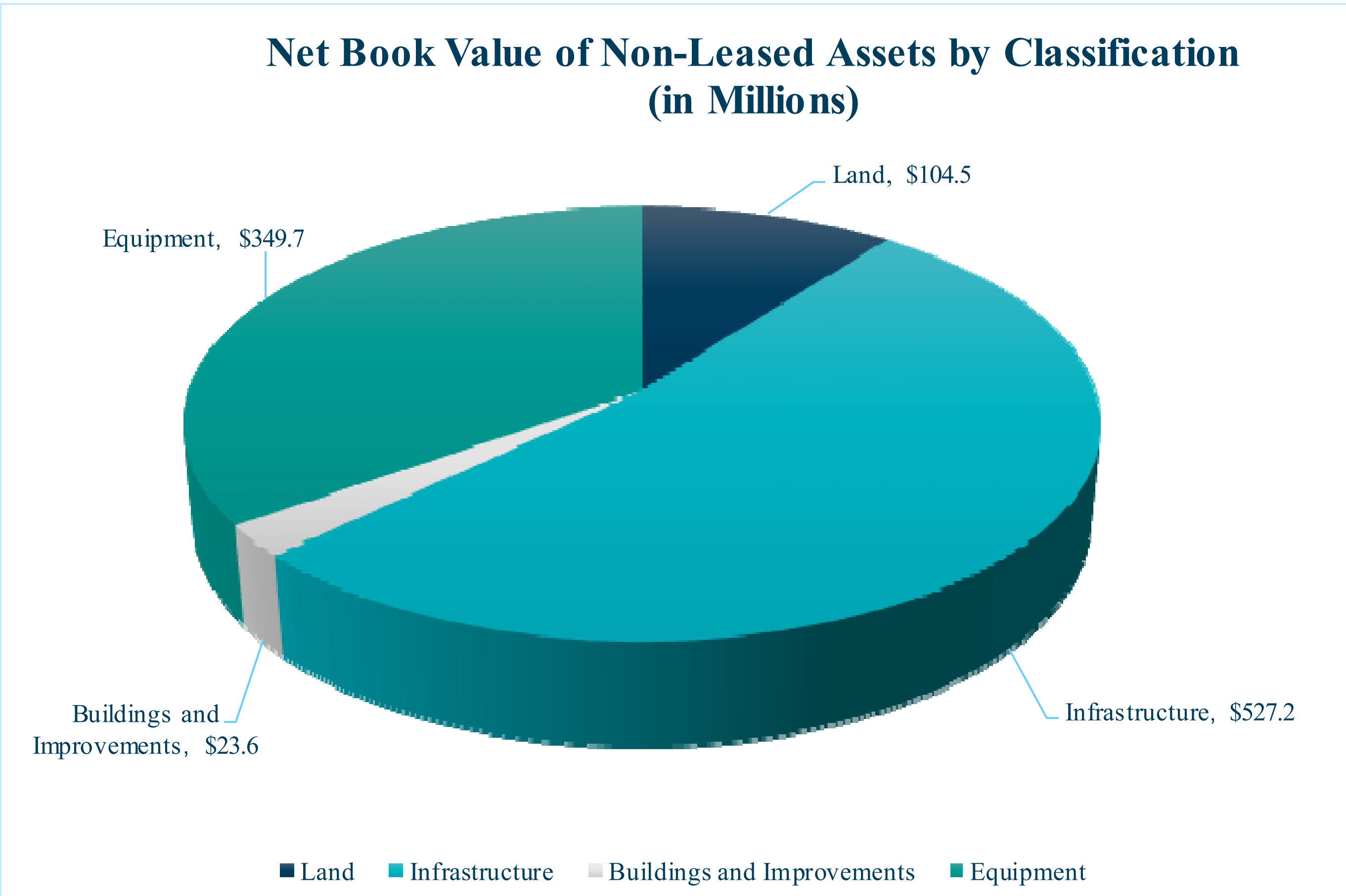
THE PORT OF VIRGINIA®

[1] Excludes the net book value of the amended and restated lease with Virginia International Gateway, Inc. and other right-to-use lease assets recorded pursuant to GASB 87.

## VIRGINIA PORT AUTHORITY

## OPERATING ASSETS

In conjunction with its mission to deliver opportunity by driving business to, and through, the Commonwealth, the Virginia Port Authority is responsible for the maintenance of and improvements to the Commonwealth's port facilities. Sixty-three percent (63%) 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-five percent (35%) 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 and improvements (2%).




This chart excludes Construction in Progress ($369.0M) as these assets are not currently used in operations.

# VIRGINIA PORT AUTHORITY

## CONSOLIDATED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

| | Fiscal Year Ended June 30, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 Restated[(1)] | 2015 | 2016 | 2017 Restated[(1)] | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| Operating revenues: | | | | | | | | | | |
| Terminal operating revenues | $ 383,714 | $ 451,242 | $ 444,444 | $ 478,261 | $ 522,069 | $ 551,236 | $ 496,258 | $ 619,580 | $ 873,982 | $ 796,269 |
| Other revenues | 7,763 | 9,148 | 9,340 | 10,102 | 10,445 | 11,186 | 10,946 | 13,120 | 19,064 | 16,996 |
| Operating revenues - grants, federal and state | 5,192 | 5,295 | 6,391 | 2,114 | 5,534 | 5,198 | 5,704 | 5,915 | 4,105 | 1,501 |
| **Total operating revenues** | 396,669 | 465,685 | 460,175 | 490,477 | 538,048 | 567,620 | 512,908 | 638,615 | 897,151 | 814,766 |
| Operating expenses: | | | | | | | | | | |
| Terminal operations | 176,244 | 222,665 | 209,681 | 218,813 | 247,513 | 251,470 | 217,208 | 231,239 | 261,743 | 253,075 |
| Terminal maintenance | 92,161 | 86,936 | 89,884 | 94,534 | 104,687 | 108,679 | 112,129 | 107,231 | 120,376 | 133,795 |
| General and administrative | 46,063 | 36,480 | 49,709 | 49,656 | 52,029 | 55,582 | 58,476 | 58,899 | 55,003 | 55,819 |
| Facility rental | 52,480 | 55,679 | 55,619 | 17,429 | 396 | 1,451 | 1,682 | 293 | (13) | 4,573 |
| Depreciation and amortization | 46,612 | 46,649 | 47,723 | 74,406 | 84,271 | 86,940 | 103,839 | 121,836 | 191,988 | 198,897 |
| **Total operating expenses** | 413,560 | 448,409 | 452,616 | 454,838 | 488,896 | 504,122 | 493,334 | 519,498 | 629,097 | 646,159 |
| **Operating income (loss)** | (16,891) | 17,276 | 7,559 | 35,639 | 49,152 | 63,498 | 19,574 | 119,117 | 268,054 | 168,607 |
| Non-operating revenues (expenses): | | | | | | | | | | |
| Investment income (loss), net | 556 | 502 | 704 | 920 | 1,368 | 4,053 | 6,177 | 1,075 | (1,880) | 24,678 |
| Interest expense | (16,888) | (14,241) | (18,365) | (88,233) | (125,369) | (123,516) | (125,264) | (124,144) | (174,152) | (176,706) |
| Revenue from federal sources | 493 | 707 | 9,653 | 11,988 | 786 | 7,490 | 3,152 | 7,158 | 5,877 | 25,821 |
| Revenue from state sources | 306 | - | 6,143 | 6,791 | 3,265 | 3,345 | 2,725 | 3,453 | 8,520 | 43,717 |
| Revenue from private sources | - | - | - | - | - | - | - | - | 5,567 | 66,026 |
| Other expenses | (69) | (627) | (3,292) | (4,977) | (2,486) | (3,665) | (3,418) | (4,355) | (5,090) | (2,802) |
| Gain (loss) on disposals | 3 | - | (1,107) | (21) | (1,769) | 744 | 271 | 372 | 480 | (277) |
| **Income (loss) before capital contributions** | (32,490) | 3,617 | 1,295 | (37,893) | (75,053) | (48,051) | (96,783) | 2,676 | 107,376 | 149,064 |
| Capital contributions: | | | | | | | | | | |
| Commonwealth Port Fund allocation | 36,652 | 38,418 | 42,367 | 41,469 | 41,126 | 43,051 | 41,922 | 48,778 | 57,821 | 60,051 |
| Capital contributions from component unit | 11 | - | - | - | - | - | - | - | - | - |
| Payments to federal government - channel dredging | - | - | (5,500) | (845) | (984) | (3,224) | (17,402) | (54,679) | (23,335) | (66,366) |
| Proceeds from primary government | - | - | - | 84,661 | 54,261 | 97,656 | 114,049 | 65,943 | 21,282 | 76,086 |
| Capital contributions from other state agencies | - | - | 153 | - | - | - | - | 535 | - | - |
| Cumulative effect of changes in accounting principle[(2)] | 12,207 | (29,916) | - | 7 | - | - | - | - | 233,086 | - |
| **Increase (decrease) in net position** | 16,380 | 12,119 | 38,315 | 87,399 | 19,350 | 89,432 | 41,786 | 63,253 | 396,230 | 218,835 |
| Special item - lease conversion | - | - | - | 13,277 | - | - | - | - | - | - |
| **Increase (decrease) in net position after special item** | 16,380 | 12,119 | 38,315 | 100,676 | 19,350 | 89,432 | 41,786 | 63,253 | 396,230 | 218,835 |
| Net position - beginning of year | 456,182 | 472,562 | 484,681 | 522,996 | 623,672 | 643,022 | 732,454 | 774,240 | 837,493 | 1,233,723 |
| Net position - end of year | $ 472,562 | $ 484,681 | $ 522,996 | $ 623,672 | $ 643,022 | $ 732,454 | $ 774,240 | $ 837,493 | $ 1,233,723 | $ 1,452,558 |

(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*; 2022 VPA/VIT adopted GASB Statement No. 87, *Leases*. 2023 VPA/VIT adopted GASB Statement No. 96, *Subscription-based information technology arrangements*.

## VIRGINIA PORT AUTHORITY

## CONSOLIDATED NET POSITION BY COMPONENT

| | Fiscal Year June 30, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 Restated | 2015 | 2016 | 2017 Restated | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| | | | | | *(In Thousands)* | | | | | |
| Net Position | | | | | | | | | | |
| Net investment in capital assets | $ 269,881 | $ 284,879 | $ 299,198 | $ 344,496 | $ 311,356 | $ 374,200 | $ 388,984 | $ 336,100 | $ 429,234 | $ 474,318 |
| Restricted - debt service | 52,020 | 54,465 | 61,275 | 69,531 | 111,171 | 132,382 | 138,300 | 129,530 | 136,866 | 174,253 |
| Unrestricted | 150,661 | 145,337 | 162,523 | 209,645 | 220,495 | 225,872 | 246,956 | 371,863 | 667,623 | 803,987 |
| **Total net position** | $ 472,562 | $ 484,681 | $ 522,996 | $ 623,672 | $ 643,022 | $ 732,454 | $ 774,240 | $ 837,493 | $ 1,233,723 | $ 1,452,558 |

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.


Women in Maritime Breakfast Keynote Speaker
VPA Chief of Police, Mona McLaurin

# VIRGINIA PORT AUTHORITY

# CONTINUING DISCLOSURE AGREEMENT

# ANNUAL REPORT

***(Unaudited)***

**FOR THE**

## FISCAL YEAR ENDED JUNE 30, 2023

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

COMMONWEALTH PORT FUND REVENUE REFUNDING BONDS,
SERIES 2020A (Taxable)

COMMONWEALTH PORT FUND REVENUE REFUNDING BONDS,
SERIES 2020B (AMT)

COMMONWEALTH PORT FUND REVENUE BONDS,
SERIES 2023A (Non-AMT)

COMMONWEALTH PORT FUND REVENUE REFUNDING BONDS,
SERIES 2023B (Non-AMT)

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

# CONTINUING DISCLOSURE AGREEMENT
# ANNUAL REPORT
# Fiscal Year Ended June 30, 2023

Commonwealth Port Fund Revenue Refunding Bonds, Series 2012 (Taxable)
Commonwealth Port Fund Revenue Refunding Bonds, Series 2020A (Taxable)
Commonwealth Port Fund Revenue Refunding Bonds, Series 2020B (AMT)
Commonwealth Port Fund Revenue Bonds, Series 2023A (Non-AMT)
Commonwealth Port Fund Revenue Refunding Bonds, Series 2023B (Non-AMT)

## 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").

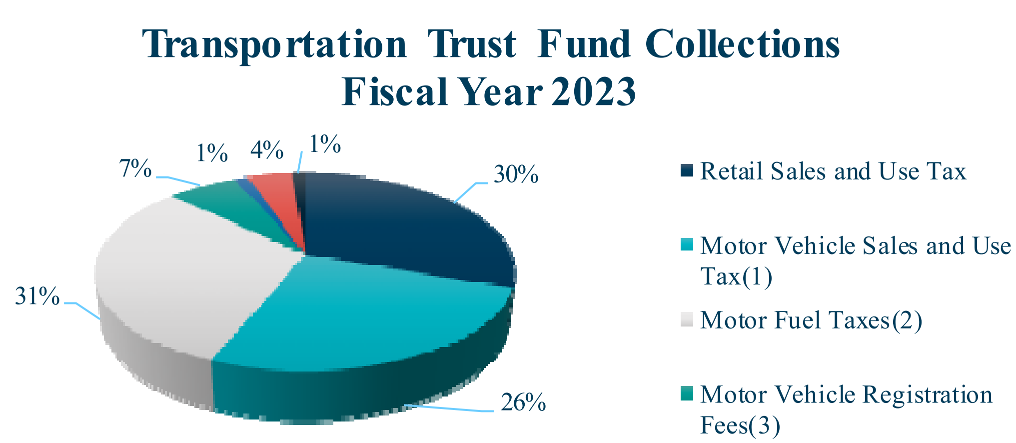
The General Assembly of the Commonwealth, in Chapter 1289 of the Acts of Assembly, approved various structural changes to the Commonwealth's method for funding transportation projects in an effort to simplify and make the Commonwealth's transportation funding arrangements more transparent and sustainable. These changes generally became effective July 1, 2020 and changed the composition of the Transportation Fund and the allocation to the Port Fund to 2.5%.

The following table sets forth the annual collections of the taxes that have been allocated to the Transportation Trust Fund for the last ten fiscal years, beginning with the fiscal year ended June 30, 2014.

**TRANSPORTATION TRUST FUND**
**STATEMENT OF REVENUE COLLECTIONS**
**Last Ten Fiscal Years**
***(in millions)***

| | Fiscal Year June 30, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| Retail Sales and Use Tax | $ 526.6 | $ 590.7 | $ 599.1 | $ 615.6 | $ 618.4 | $ 649.5 | $ 644.5 | $1,265.1 | $1,344.2 | $1,440.7 |
| Motor Vehicle Sales and Use Tax[(1)] | 207.4 | 224.9 | 237.2 | 245.8 | 242.7 | 254.0 | 240.8 | 1,136.3 | 1,236.7 | 1,248.9 |
| Motor Fuel Taxes[(2)] | 115.0 | 118.8 | 138.8 | 106.9 | 105.3 | 105.4 | 102.1 | 1,027.9 | 1,288.0 | 1,472.4 |
| Motor Vehicle Registration Fees[(3)] | 21.8 | 22.0 | 21.8 | 22.3 | 21.8 | 22.4 | 20.2 | 363.1 | 349.8 | 311.7 |
| Highway Use Fee | - | - | - | - | - | - | - | 42.7 | 53.8 | 58.4 |
| Gross Premium Insurance Co | - | - | - | - | - | - | - | 181.4 | 180.7 | 202.5 |
| Recording Deeds and Contracts | - | - | - | - | - | - | - | 83.7 | 81.6 | 52.6 |
| **Total Transportation Trust Fund Revenues[(4)]** | $ 870.8 | $ 956.4 | $ 996.9 | $ 990.6 | $ 988.2 | $1,031.3 | $1,007.6 | $4,100.2 | $4,534.8 | $4,787.2 |

(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 and int'l registration plan MV fee.
(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

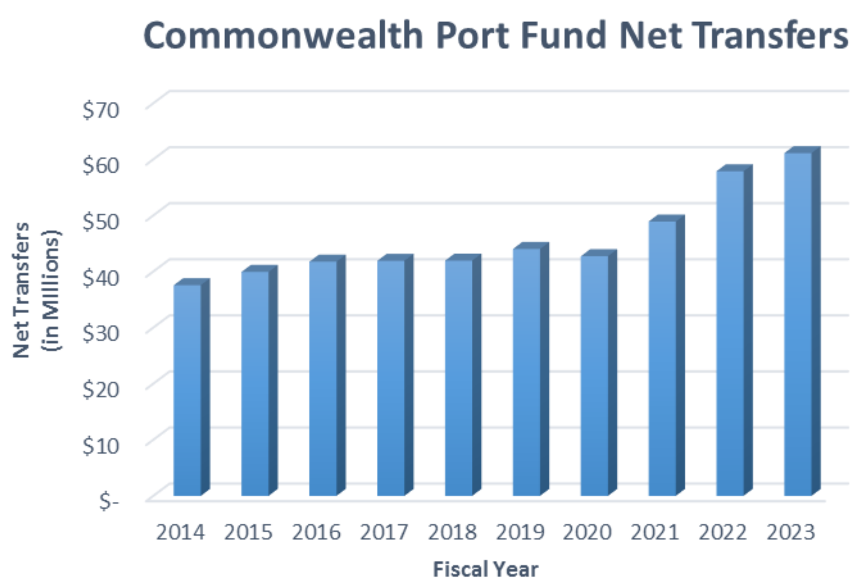
The following table shows the allocation of Transportation Trust Fund revenue to the Port Fund, the interest credited to the Port Fund prior to its transfer to the Income Account under the Authority's Commonwealth Port Fund Revenue Bond Resolution (the "Bond Resolution") net of the expenses charged thereto for the fiscal years 2014 through 2023. 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 |
|---|---|---|---|---|---|
| | | | *(In Thousands)* | | |
| 2014 | $ 37,341 | | $ 226 | | $ 37,567 |
| 2015 | 39,641 | | 292 | | 39,933 |
| 2016 | 41,481 | | 277 | | 41,758 |
| 2017 | 41,451 | | 464 | | 41,915 |
| 2018 | 41,355 | | 596 | | 41,951 |
| 2019 | 43,156 | | 864 | | 44,020 |
| 2020 | 41,851 | | 882 | | 42,733 |
| 2021 | 48,686 | | 230 | | 48,916 |
| 2022 | 57,821 | | 65 | | 57,886 |
| 2023 | 60,051 | | 1,075 | | 61,126 |

(1) For fiscal years 2014 through 2020, the allocation amount was equal to 4.2% of total Transportation Trust Fund revenues less certain estimated expenses. Beginning in fiscal year 2021, the allocation amount was equal to 2.5% 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

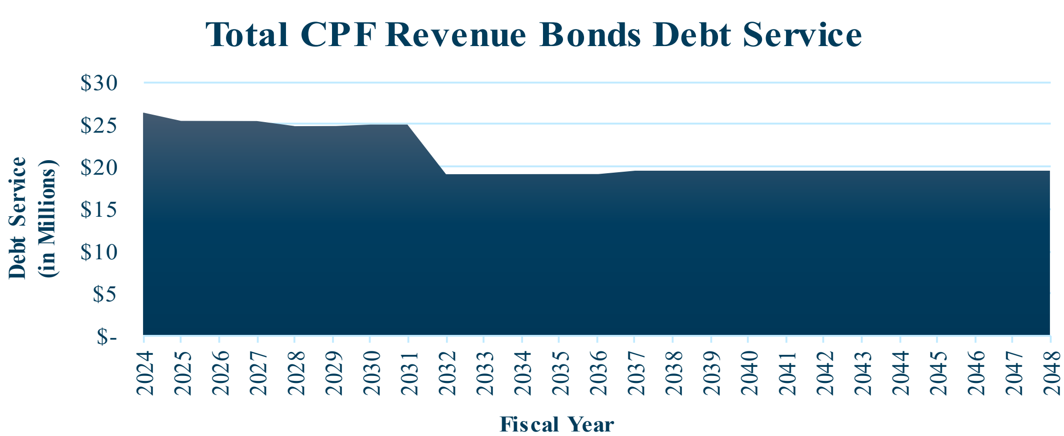
### Debt Service Requirements

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; the outstanding Commonwealth Port Fund Revenue Refunding Bonds, Series 2020A and 2020B; the outstanding Commonwealth Port Fund Revenue Bonds, Series 2023A; and the outstanding Commonwealth Port Fund Revenue Refunding Bonds, Series 2023B.

| Fiscal Year Ending June 30, | Series 2012 Bonds Debt Service | Series 2020A Bonds Debt Service | Series 2020B Bonds Debt Service | Series 2023A Bonds Debt Service | Series 2023B Bonds Debt Service | Total Bonds Debt Service* |
|---|---|---|---|---|---|---|
| | | | *(In Thousands)* | | | |
| 2024 | $ 9,057 | $ 2,676 | $ 3,517 | $ 8,696 | $ 2,466 | $ 26,412 |
| 2025 | 9,056 | 2,677 | 3,519 | 7,636 | 2,466 | 25,354 |
| 2026 | 9,055 | 2,677 | 3,520 | 7,636 | 2,466 | 25,354 |
| 2027 | 9,055 | 2,678 | 3,518 | 7,636 | 2,466 | 25,353 |
| 2028 | - | 8,927 | 3,520 | 7,636 | 4,611 | 24,694 |
| 2029 | - | 9,766 | 2,688 | 7,636 | 4,609 | 24,699 |
| 2030 | - | 12,804 | - | 7,636 | 4,606 | 25,046 |
| 2031 | - | 8,522 | - | 7,636 | 8,893 | 25,051 |
| 2032 | - | 1,116 | - | 9,026 | 8,890 | 19,032 |
| 2033 | - | 1,121 | - | 9,026 | 8,890 | 19,037 |
| 2034 | - | 1,119 | - | 9,023 | 8,892 | 19,034 |
| 2035 | - | 1,118 | - | 9,027 | 8,891 | 19,036 |
| 2036 | - | 1,121 | - | 9,021 | 8,892 | 19,034 |
| 2037 | - | 8,538 | - | 10,952 | - | 19,490 |
| 2038 | - | 8,538 | - | 10,952 | - | 19,490 |
| 2039 | - | 8,538 | - | 10,953 | - | 19,491 |
| 2040 | - | 8,539 | - | 10,954 | - | 19,493 |
| 2041 | - | - | - | 19,489 | - | 19,489 |
| 2042 | - | - | - | 19,493 | - | 19,493 |
| 2043 | - | - | - | 19,488 | - | 19,488 |
| 2044 | - | - | - | 19,490 | - | 19,490 |
| 2045 | - | - | - | 19,492 | - | 19,492 |
| 2046 | - | - | - | 19,488 | - | 19,488 |
| 2047 | - | - | - | 19,491 | - | 19,491 |
| 2048 | - | - | - | 19,487 | - | 19,487 |

*Does not include Refunded Bonds

Debt Service Requirements are shown in the graph below:

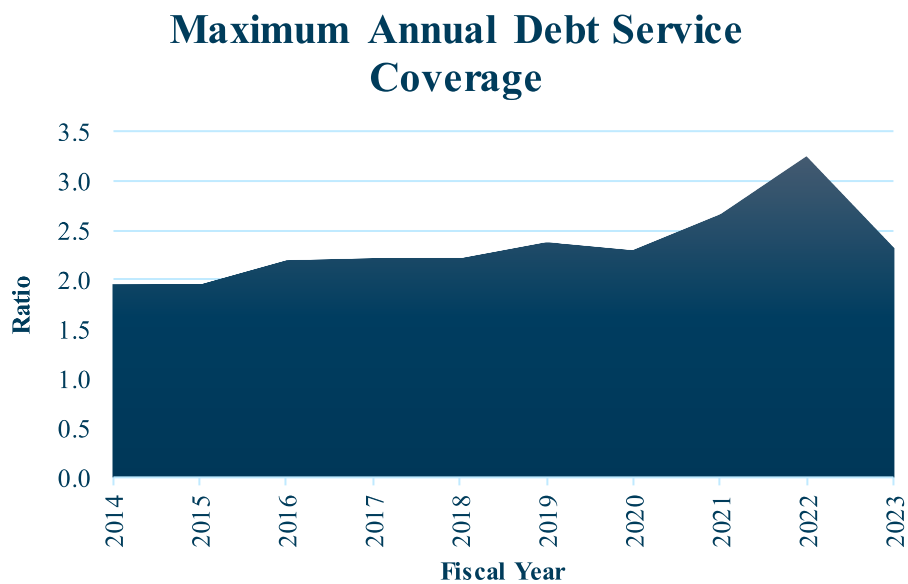


## DEBT SERVICE DEPOSIT REQUIREMENTS AND COVERAGE (Continued)

### Debt Service Coverage

Coverage of maximum annual debt service on the 2012, 2020, and 2023 Bonds by Commonwealth Port Fund Primary Income for the fiscal year ended June 30, 2023 is shown below:

| | | |
|---|---|---|
| Commonwealth Port Fund Primary Income for fiscal year ended June 30, 2023 (in thousands) | $ | 61,126 |
| Maximum Annual Debt Service (fiscal year 2024) (in thousands) | $ | 26,412 |
| Pro Forma Maximum Annual Debt Service Coverage | | 2.31 |



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

| | Fiscal Year Ended June 30, | | | | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2023 |
| | | | *(In Thousands)* | | |
| Revenues: | | | | | |
| Special Fund | $ 177,489 | $ 160,492 | $ 264,777 | $ 461,247 | $ 425,031 |
| Commonwealth Port Fund | 42,994 | 43,971 | 45,579 | 58,388 | 60,781 |
| General Fund and Other | 20,397 | 12,816 | 5,256 | 2,617 | 273,802 |
| **Total revenues** | 240,880 | 217,279 | 315,612 | 522,252 | 759,614 |
| Operating Expenditures: | | | | | |
| Economic Development Services: | | | | | |
| National and international trade services | 4,401 | 3,928 | 3,884 | 3,833 | 2,288 |
| Commerce advertising | 601 | 740 | 426 | 20 | 1 |
| Port Facilities Planning, Maintenance, Acquisition and Construction: | | | | | |
| Maintenance and operation of Port facilities | 14,057 | 19,309 | 27,364 | 19,186 | 12,603 |
| Port facilities planning | 319 | 5 | 13 | 12 | 16 |
| Debt service for Port facilities | 40,299 | 38,044 | 42,695 | 44,465 | 49,797 |
| Financial Assistance for Port Activities: | | | | | |
| Aid to local ports | 1,637 | 2,185 | 2,302 | 3,563 | 1,009 |
| Payment in lieu of taxes | 835 | 1,241 | 1,376 | 1,544 | 1,327 |
| Administration and Support Services: | | | | | |
| General management and direction | 21,636 | 25,180 | 25,412 | 25,098 | 9,243 |
| Facility rental | 88,003 | 90,484 | 90,225 | 95,352 | 103,962 |
| Security services | 11,662 | 11,201 | 9,410 | 10,769 | 11,159 |
| **Total operating expenditures** | 183,450 | 192,317 | 203,107 | 203,842 | 191,405 |
| **Funds available for capital projects** | $ 57,430 | $ 24,962 | $ 112,505 | $ 318,410 | $ 568,209 |

## 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)**

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| Exports: | | | | | |
| Soybeans and products | 992,683 | 1,125,101 | 1,407,782 | 1,493,241 | 1,447,254 |
| Wood pulp | 761,463 | 817,174 | 933,449 | 958,155 | 893,891 |
| Logs and lumber | 1,703,765 | 784,436 | 696,838 | 861,555 | 811,900 |
| Pet and animal feeds | 710,100 | 656,282 | 847,080 | 851,644 | 759,153 |
| Paper and paperboard | 756,664 | 689,676 | 667,851 | 731,917 | 704,665 |
| Imports: | | | | | |
| Furniture | 910,630 | 867,517 | 848,511 | 1,079,478 | 1,162,746 |
| Plastic products | 390,054 | 412,707 | 488,565 | 658,909 | 703,905 |
| Auto parts | 512,542 | 406,515 | 193,911 | 321,965 | 368,741 |
| Paper and paperboard | 238,448 | 231,792 | 205,321 | 292,379 | 335,316 |
| Non alcoholic beverages | 193,001 | 233,866 | 265,986 | 306,615 | 279,304 |

* 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)

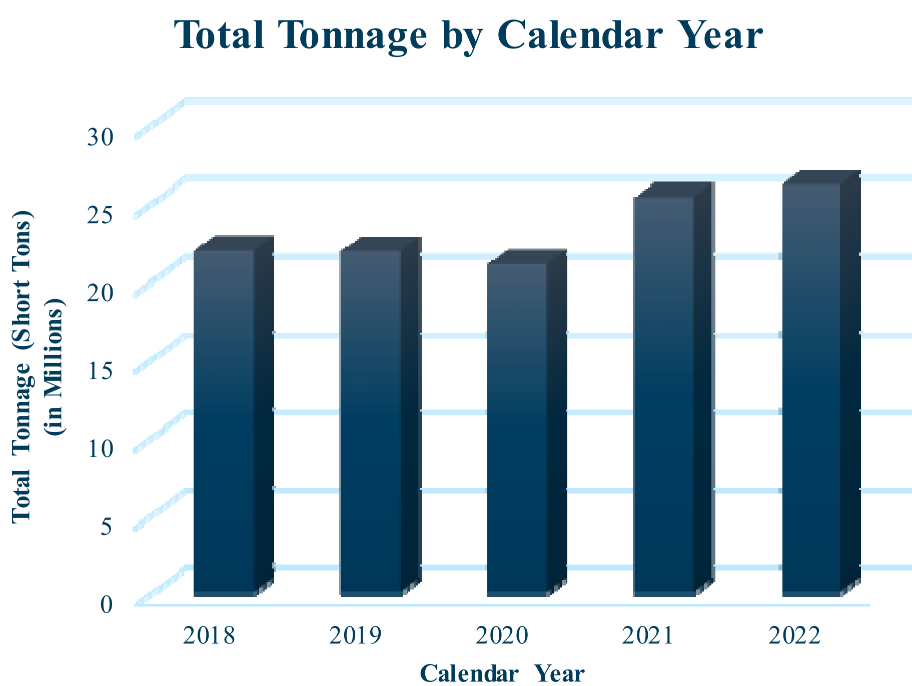
Presented below is information concerning the volume of general cargo handled at all facilities that comprise the Port of Virginia.

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

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| Breakbulk | 189,429 | 161,489 | 80,097 | 147,686 | 157,385 |
| Container | 21,785,434 | 21,779,258 | 21,001,830 | 25,206,462 | 25,995,056 |
| **Total tons** | 21,974,863 | 21,940,747 | 21,081,927 | 25,354,148 | 26,152,441 |

* 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, 2023

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, 2023

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 Ended June 30, | | | | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2023 |
| | | | *(In Thousands)* | | |
| Revenues: | | | | | |
| Special Fund | $ 177,489 | $ 160,492 | $ 264,777 | $ 461,247 | $ 425,031 |
| Commonwealth Port Fund | 42,994 | 43,971 | 45,579 | 58,388 | 60,781 |
| General Fund and Other | 20,397 | 12,816 | 5,256 | 2,617 | 273,802 |
| **Total revenues** | 240,880 | 217,279 | 315,612 | 522,252 | 759,614 |
| Operating Expenditures: | | | | | |
| Economic Development Services: | | | | | |
| National and international trade services | 4,401 | 3,928 | 3,884 | 3,833 | 2,288 |
| Commerce advertising | 601 | 740 | 426 | 20 | 1 |
| Port Facilities Planning, Maintenance, Acquisition and Construction: | | | | | |
| Maintenance and operation of Port facilities | 14,057 | 19,309 | 27,364 | 19,186 | 12,603 |
| Port facilities planning | 319 | 5 | 13 | 12 | 16 |
| Debt service for Port facilities | 40,299 | 38,044 | 42,695 | 44,465 | 49,797 |
| Financial Assistance for Port Activities: | | | | | |
| Aid to local ports | 1,637 | 2,185 | 2,302 | 3,563 | 1,009 |
| Payment in lieu of taxes | 835 | 1,241 | 1,376 | 1,544 | 1,327 |
| Administration and Support Services: | | | | | |
| General management and direction | 21,636 | 25,180 | 25,412 | 25,098 | 9,243 |
| Facility rental | 88,003 | 90,484 | 90,225 | 95,352 | 103,962 |
| Security services | 11,662 | 11,201 | 9,410 | 10,769 | 11,159 |
| **Total operating expenditures** | 183,450 | 192,317 | 203,107 | 203,842 | 191,405 |
| **Funds available for capital projects** | $ 57,430 | $ 24,962 | $ 112,505 | $ 318,410 | $ 568,209 |

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

| | Fiscal Year Ended June 30, | | | | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2023 |
| | | | *(In Thousands)* | | |
| Revenues: | | | | | |
| Operating | $ 551,236 | $ 496,258 | $ 619,581 | $ 873,707 | $ 795,951 |
| Nonoperating | 256 | 394 | 360 | 424 | 1,728 |
| **Gross revenues** | 551,492 | 496,652 | 619,941 | 874,131 | 797,679 |
| Expenses: | | | | | |
| Operating and maintenance expenses | 341,546 | 321,288 | 328,761 | 373,152 | 380,988 |
| Administrative expenses | 52,797 | 40,094 | 43,525 | 63,804 | 73,345 |
| Nonoperating | - | - | - | 3,152 | 5,647 |
| **Total expenses** | 394,343 | 361,382 | 372,286 | 440,108 | 459,980 |
| **Income before transfers**[(1)] | $ 157,149 | $ 135,270 | $ 247,655 | $ 434,023 | $ 337,699 |

(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.

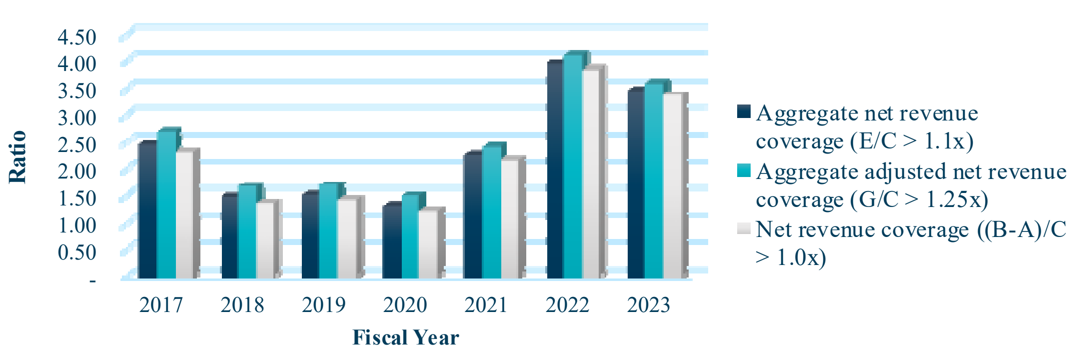
## OPERATING RESULTS AND DEBT SERVICE COVERAGE – Resolution No. 16-9

| | Fiscal Year Ended June 30, | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| | | | | (In Thousands) | | | |
| **VIRGINIA INTERNATIONAL TERMINALS** | | | | | | | |
| VIT/HRCP II gross receipts | $ 484,494 | $ 550,211 | $ 589,670 | $ 556,625 | $ 631,182 | $ 905,761 | $ 874,054 |
| VIT/HRCP II current expenses | (350,771) | (421,533) | (419,549) | (416,717) | (403,298) | (471,421) | (474,095) |
| VIT liquidity reserve withdrawal (deposit) | (2,543) | 6,061 | (10,031) | (677) | 4,745 | (721) | (6,649) |
| One-time cash transfers HRCP II | 5,827 | - | - | - | - | - | - |
| VIT CEMA liquidation | 16,061 | - | - | - | - | - | - |
| VIT/HRCP II port operator capital expenditures **(A)** | (7,579) | (11,046) | (6,456) | (11,091) | (8,193) | (9,067) | (6,095) |
| **VIT/HRCP II payment (per Payment Agreement to VPA)** | 145,489 | 123,693 | 153,634 | 128,140 | 224,436 | 424,552 | 387,215 |
| **VIRGINIA PORT AUTHORITY** | | | | | | | |
| Gross revenues: | | | | | | | |
| VIT/HRCP II payment per Payment Agreement | 145,489 | 123,693 | 153,634 | 128,140 | 224,436 | 424,552 | 387,215 |
| Other VPA income and interest income | 10,037 | 11,186 | 15,052 | 17,247 | 20,271 | 21,433 | 33,789 |
| **Total gross revenues** | 155,526 | 134,879 | 168,686 | 145,387 | 244,707 | 445,985 | 421,004 |
| Current expenses: | | | | | | | |
| Terminal expenditures | (26,488) | (24,606) | (27,837) | (27,756) | (22,669) | (21,440) | (20,175) |
| Operating lease payments | (17,429) | (185) | (185) | (185) | (132) | (793) | (902) |
| **Total current expenses** | (43,917) | (24,791) | (28,022) | (27,941) | (22,801) | (22,233) | (21,077) |
| **Net revenue (B)** | 111,609 | 110,088 | 140,664 | 117,446 | 221,906 | 423,752 | 399,927 |
| VPA Commonwealth Port Fund used for O & M **(P)** | 7,657 | 8,162 | 9,975 | 10,192 | 6,097 | 7,373 | 6,551 |
| VPA Commonwealth Port Fund used for VIG rent **(Q)** | 5,831 | 9,996 | 9,996 | 9,996 | 9,996 | 9,996 | 9,966 |
| Revenue stabilization fund balance | 29,082 | 39,661 | 39,973 | 40,116 | 39,933 | 39,338 | 39,899 |
| 25% of revenue stabilization fund balance **(D)** | 7,271 | 9,915 | 9,993 | 10,029 | 9,983 | 9,835 | 9,975 |
| Net revenue (B) | 111,609 | 110,088 | 140,664 | 117,446 | 221,906 | 423,752 | 399,927 |
| Aggregate net revenue **(E)** (E = B + D - A) | 126,459 | 131,049 | 157,113 | 138,566 | 240,082 | 442,654 | 415,997 |
| Adjusted net revenue **(F)** (F = B + P + Q) | 125,097 | 128,246 | 160,635 | 137,634 | 237,999 | 441,121 | 416,444 |
| Aggregate adjusted net revenue **(G)** (G = F + D - A) | 139,947 | 149,207 | 177,084 | 158,754 | 256,175 | 460,023 | 432,514 |
| **DEBT SERVICE COVERAGE** | | | | | | | |
| Senior debt service: | | | | | | | |
| Senior obligations | 42,578 | 72,795 | 87,818 | 90,299 | 90,092 | 95,352 | 103,962 |
| Series 2016 Bonds principal and interest requirements | 9,614 | 17,537 | 17,504 | 17,068 | 17,414 | 17,387 | 17,211 |
| **Aggregate principal and interest requirements (C)** | $ 52,192 | $ 90,332 | $ 105,322 | $ 107,367 | $ 107,506 | $ 112,739 | $ 121,173 |

| Debt Service Coverage | Actual 2017 | Actual 2018 | Actual 2019 | Actual 2020 | Actual 2021 | Actual 2022 | Actual 2023 |
|---|---|---|---|---|---|---|---|
| Aggregate net revenue coverage (E/C > 1.1x) | 2.42 | 1.45 | 1.49 | 1.29 | 2.23 | 3.93 | 3.43 |
| Aggregate adjusted net revenue coverage (G/C > 1.25x) | 2.68 | 1.65 | 1.68 | 1.48 | 2.38 | 4.08 | 3.57 |
| Net revenue coverage ((B-A)/C > 1.0x) | 2.28 | 1.34 | 1.40 | 1.20 | 2.14 | 3.84 | 3.35 |

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

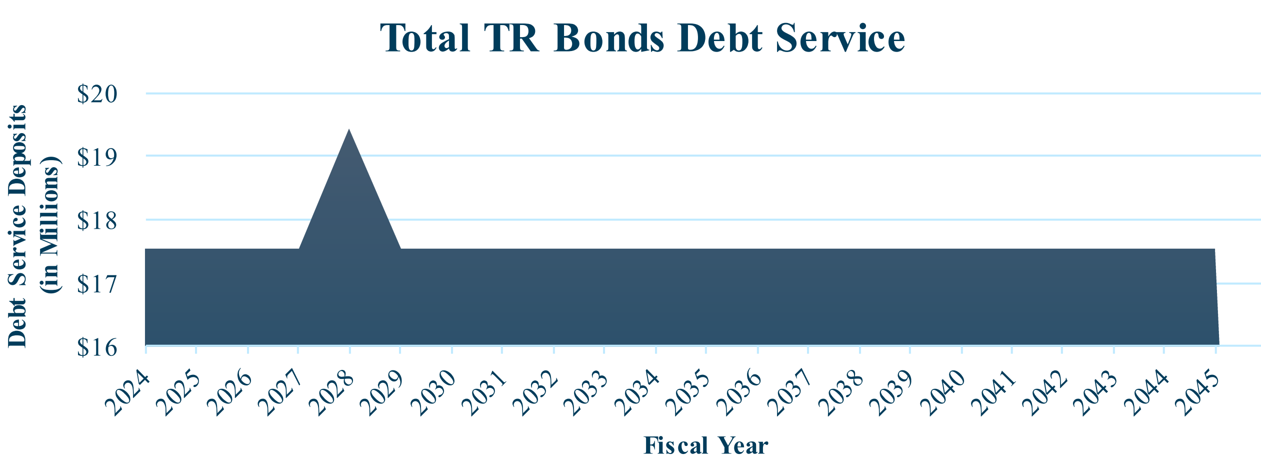
## Debt Service Coverage under Res. 16-9



## 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 |
|---|---|---|---|---|
| | | *(In Thousands)* | | |
| 2024 | $ 7,439 | $ 6,774 | $ 3,323 | $ 17,536 |
| 2025 | 7,440 | 6,778 | 3,317 | 17,535 |
| 2026 | 7,452 | 6,775 | 3,309 | 17,536 |
| 2027 | 7,446 | 6,776 | 3,313 | 17,535 |
| 2028 | 5,455 | 3,820 | 10,159 | 19,434 |
| 2029 | 10,760 | 6,775 | - | 17,535 |
| 2030 | 10,759 | 6,778 | - | 17,537 |
| 2031 | 10,757 | 6,777 | - | 17,534 |
| 2032 | 10,757 | 6,779 | - | 17,536 |
| 2033 | 10,758 | 6,778 | - | 17,536 |
| 2034 | 10,758 | 6,778 | - | 17,536 |
| 2035 | 10,757 | 6,780 | - | 17,537 |
| 2036 | 10,760 | 6,776 | - | 17,536 |
| 2037 | 10,761 | 6,773 | - | 17,534 |
| 2038 | 10,761 | 6,775 | - | 17,536 |
| 2039 | 10,761 | 6,776 | - | 17,537 |
| 2040 | 10,757 | 6,780 | - | 17,537 |
| 2041 | 10,756 | 6,777 | - | 17,533 |
| 2042 | 10,759 | 6,777 | - | 17,536 |
| 2043 | 10,760 | 6,778 | - | 17,538 |
| 2044 | 10,758 | 6,780 | - | 17,538 |
| 2045 | 10,761 | 6,773 | - | 17,534 |



## 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)**

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| Exports: | | | | | |
| Soybeans and products | 992,683 | 1,125,101 | 1,407,782 | 1,493,241 | 1,447,254 |
| Wood pulp | 761,463 | 817,174 | 933,449 | 958,155 | 893,891 |
| Logs and lumber | 1,703,765 | 784,436 | 696,838 | 861,555 | 811,900 |
| Pet and animal feeds | 710,100 | 656,282 | 847,080 | 851,644 | 759,153 |
| Paper and paperboard | 756,664 | 689,676 | 667,851 | 731,917 | 704,665 |
| Imports: | | | | | |
| Furniture | 910,630 | 867,517 | 848,511 | 1,079,478 | 1,162,746 |
| Plastic products | 390,054 | 412,707 | 488,565 | 658,909 | 703,905 |
| Auto parts | 512,542 | 406,515 | 193,911 | 321,965 | 368,741 |
| Paper and paperboard | 238,448 | 231,792 | 205,321 | 292,379 | 335,316 |
| Non alcoholic beverages | 193,001 | 233,866 | 265,986 | 306,615 | 279,304 |

* 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)

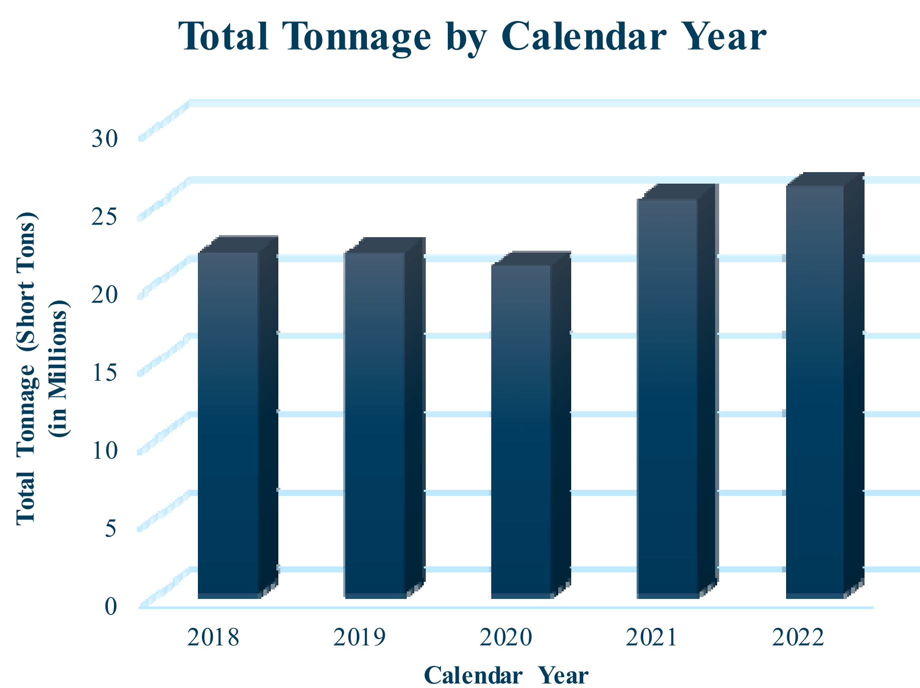
Presented below is information concerning the volume of general cargo handled at all facilities that comprise the Port of Virginia.

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

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| Breakbulk | 189,429 | 161,489 | 80,097 | 147,686 | 157,385 |
| Container | 21,785,434 | 21,779,258 | 21,001,830 | 25,206,462 | 25,995,056 |
| **Total tons** | 21,974,863 | 21,940,747 | 21,081,927 | 25,354,148 | 26,152,441 |

* 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



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

| | Fiscal Year Ended June 30, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 Restated[(1)] | 2015 | 2016 | 2017 Restated[(1)] | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| Operating revenues: | | | | | | | | | | |
| Terminal operating revenues | $ 383,714 | $ 451,242 | $ 444,444 | $ 478,261 | $ 522,069 | $ 551,236 | $ 496,258 | $ 619,580 | $ 873,982 | $ 796,269 |
| Other revenues | 7,763 | 9,148 | 9,340 | 10,102 | 10,445 | 11,186 | 10,946 | 13,120 | 19,064 | 16,996 |
| Operating revenues - grants, federal and state | 5,192 | 5,295 | 6,391 | 2,114 | 5,534 | 5,198 | 5,704 | 5,915 | 4,105 | 1,501 |
| **Total operating revenues** | 396,669 | 465,685 | 460,175 | 490,477 | 538,048 | 567,620 | 512,908 | 638,615 | 897,151 | 814,766 |
| Operating expenses: | | | | | | | | | | |
| Terminal operations | 176,244 | 222,665 | 209,681 | 218,813 | 247,513 | 251,470 | 217,208 | 231,239 | 261,743 | 253,075 |
| Terminal maintenance | 92,161 | 86,936 | 89,884 | 94,534 | 104,687 | 108,679 | 112,129 | 107,231 | 120,376 | 133,795 |
| General and administrative | 46,063 | 36,480 | 49,709 | 49,656 | 52,029 | 55,582 | 58,476 | 58,899 | 55,003 | 55,819 |
| Facility rental | 52,480 | 55,679 | 55,619 | 17,429 | 396 | 1,451 | 1,682 | 293 | (13) | 4,573 |
| Depreciation and amortization | 46,612 | 46,649 | 47,723 | 74,406 | 84,271 | 86,940 | 103,839 | 121,836 | 191,988 | 198,897 |
| **Total operating expenses** | 413,560 | 448,409 | 452,616 | 454,838 | 488,896 | 504,122 | 493,334 | 519,498 | 629,097 | 646,159 |
| **Operating income (loss)** | (16,891) | 17,276 | 7,559 | 35,639 | 49,152 | 63,498 | 19,574 | 119,117 | 268,054 | 168,607 |
| Non-operating revenues (expenses): | | | | | | | | | | |
| Investment income (loss), net | 556 | 502 | 704 | 920 | 1,368 | 4,053 | 6,177 | 1,075 | (1,880) | 24,678 |
| Interest expense | (16,888) | (14,241) | (18,365) | (88,233) | (125,369) | (123,516) | (125,264) | (124,144) | (174,152) | (176,706) |
| Revenue from federal sources | 493 | 707 | 9,653 | 11,988 | 786 | 7,490 | 3,152 | 7,158 | 5,877 | 25,821 |
| Revenue from state sources | 306 | - | 6,143 | 6,791 | 3,265 | 3,345 | 2,725 | 3,453 | 8,520 | 43,717 |
| Revenue from private sources | - | - | - | - | - | - | - | - | 5,567 | 66,026 |
| Other expenses | (69) | (627) | (3,292) | (4,977) | (2,486) | (3,665) | (3,418) | (4,355) | (5,090) | (2,802) |
| Gain (loss) on disposals | 3 | - | (1,107) | (21) | (1,769) | 744 | 271 | 372 | 480 | (277) |
| **Income (loss) before capital contributions** | (32,490) | 3,617 | 1,295 | (37,893) | (75,053) | (48,051) | (96,783) | 2,676 | 107,376 | 149,064 |
| Capital contributions: | | | | | | | | | | |
| Commonwealth Port Fund allocation | 36,652 | 38,418 | 42,367 | 41,469 | 41,126 | 43,051 | 41,922 | 48,778 | 57,821 | 60,051 |
| Capital contributions from component unit | 11 | - | - | - | - | - | - | - | - | - |
| Payments to federal government - channel dredging | - | - | (5,500) | (845) | (984) | (3,224) | (17,402) | (54,679) | (23,335) | (66,366) |
| Proceeds from primary government | - | - | - | 84,661 | 54,261 | 97,656 | 114,049 | 65,943 | 21,282 | 76,086 |
| Capital contributions from other state agencies | - | - | 153 | - | - | - | - | 535 | - | - |
| Cumulative effect of changes in accounting principle[(2)] | 12,207 | (29,916) | - | 7 | - | - | - | - | 233,086 | - |
| **Increase (decrease) in net position** | 16,380 | 12,119 | 38,315 | 87,399 | 19,350 | 89,432 | 41,786 | 63,253 | 396,230 | 218,835 |
| Special item - lease conversion | - | - | - | 13,277 | - | - | - | - | - | - |
| **Increase (decrease) in net position after special item** | 16,380 | 12,119 | 38,315 | 100,676 | 19,350 | 89,432 | 41,786 | 63,253 | 396,230 | 218,835 |
| Net position - beginning of year | 456,182 | 472,562 | 484,681 | 522,996 | 623,672 | 643,022 | 732,454 | 774,240 | 837,493 | 1,233,723 |
| Net position - end of year | $ 472,562 | $ 484,681 | $ 522,996 | $ 623,672 | $ 643,022 | $ 732,454 | $ 774,240 | $ 837,493 | $ 1,233,723 | $ 1,452,558 |

(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*; 2022 VPA/VIT adopted GASB Statement No. 87, *Leases*.

# VIRGINIA PORT AUTHORITY

600 World Trade Center
Norfolk, VA 23510

Norfolk International Terminals before optimization of the North Berth (top center)