THE PORT OF VIRGINIA®

VIRGINIA PORT AUTHORITY©

Comprehensive Annual Financial Report
For Fiscal Year ended June 30, 2017

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE

VIRGINIA PORT AUTHORITY

A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Prepared by the Finance Division of the Virginia Port Authority

TABLE OF CONTENTS

John F. Reinhart
CEO/Executive Director

Virginia Port Authority
600 World Trade Center
Norfolk, VA 23510

October 23, 2017

Dear Customers, Stakeholders and Port Partners:

Fiscal year 2017 was filled with several milestones for The Port of Virginia®: we finished the fiscal year with a positive financial outcome for the third consecutive year; we continued to emphasize safety while handling a record-setting amount of container volume across all areas of the operation and we were consistent in our delivery of service to our customers and port users. Most notably, we began construction on the expansion of Virginia International Gateway and Norfolk International Terminals, our two primary container cargo terminals.

Led by Governor Terry N. McAuliffe, Transportation Secretary Aubrey L. Layne, the General Assembly and the Virginia Port Authority Board of Commissioners, we are entering an era of growth with a laser-focus on making The Port of Virginia a primary gateway for global trade on the U.S. East Coast and a catalyst for commerce in Virginia.

By 2020, we will have created the capacity to process 1 million additional container units through this port annually – a 58% increase overall – and we will move those units more safely, swiftly and sustainably than ever before. In the process, we will have created one of the East Coast's most modern container terminal complexes that will be capable of handling the largest cargo ships sailing the Atlantic Ocean. Deep, unobstructed channels, modern terminals, a strong partnership with labor, a long-term plan for sustainable growth, a reputation as a progressive and growing port and the dedication of the port team are but a few of the things that make this maritime asset so unique.

We are capitalizing on those assets and our commercial resurgence continued in FY2017 having completed our third consecutive fiscal year of profitability. We finished the fiscal year having handled 2.78 million twenty-foot equivalent units and the result was a $33.4 million consolidated operating profit. Beyond that, we accomplished so much in the 12 months that ended June 30:

- **July 2016:** Governor Terry R. McAuliffe announces a state investment of $350 million to expand cargo capacity at NIT's South Berth by 46 percent.

- **August 2016:** Virginia hosts the APL Yangshan, which at 10,700-TEUs, is the largest container ship (to date) to call Virginia.

- **September 2016:** The lease for VIG is successfully renegotiated, extending the lease term through 2065, and providing $321 million in investment for the terminal.

- **October 2016:** The port receives the USCG's Rear Admiral Richard E. Bennis Award for Excellence in Maritime Security, recognizing organizations that establish a culture of security.

- **November 2016:** The port invests $217 million for Konecranes to build and deliver 86 specialized cranes that are centerpieces of the port's terminal expansion projects.

- **November 2016:** The VIG lease commences and the port refinanced $298 million in debt.

- **December 2016:** The federal government approves an expansion of FTZ20 into northeast North Carolina and in doing so, provides the port another tool for building business.

- **January 2017:** The port's 2016 results show growth in TEUs, up 4.2 percent; containers, up 3.4 percent; rail containers, up 14 percent; and barge containers, up 33 percent. CSX double stack rail service begins.

- **February 2017:** Work begins at VIG on a $321 million expansion project that will nearly double the terminal's annual cargo handling capacity.

- **February 2017:** The Georgia and Virginia port authorities seek permission from the federal government to collaborate in certain areas via the East Coast Gateway Terminal Agreement.

- **March 2017:** The port announces it is prepared to handle the ultra-large container vessels (ULCVs) the realigned ocean carrier alliances will be using in their Atlantic services.

- **April 2017:** The federal government approves the East Coast Gateway Terminal Agreement, allowing Georgia and Virginia to begin information-sharing in specified areas.

- **May 2017:** Virginia is the first stop for the COSCO Development, which at 13,000 TEUs is the largest container ship to call the U.S. East Coast.

- **June 2017:** Following two years of construction, the port christens the $42 million, 26-lane North Gate complex at NIT.

- **June 2017:** Reached the tentatively selected plan milestone of the General Reevaluation Report for the channel deepening which indicated that the inner Harbor should be Deepend to 55 feet, the thimble shoals channel deepened to 56 feet and the Atlantic Ocean channel to 59 feet. The plan also recommended 1200 feet widening of the thimble shoals channel to accommodate two Way vessel traffic.

- **July 2017:** The port closes fiscal year 2017 with its fourth consecutive year of record-setting volumes and the third consecutive year of profitability.

The Port of Virginia is in an enviable position.

Our natural assets include deep shipping channels that are easy to maintain; we are 18 miles from the open water of the Atlantic Ocean; we are situated within a day's drive of two-thirds of the nation's population; and we have room to add a fourth, state-owned, deep-water marine terminal. From a manmade perspective, we have the versatility to handle anything from automobiles to coffee to blade sets for massive wind turbines. Our on-dock, double-stack rail service by the East's two Class I railroads, Norfolk Southern and CSX, is also a key primary asset.

Most importantly, we have a clear path forward and a plan for the future. With a priority on safety across all phases of the operation, we are taking the momentum we gained from the positive outcome of FY2017 and converting it into action as we go forward with the expansion. The work we are doing today will chart The Port of Virginia's course for generations to come.

Sincerely Yours,

John F. Reinhart
CEO and Executive Director

VIRGINIA PORT AUTHORITY
600 WORLD TRADE CENTER, NORFOLK, VA 23510
(757) 683-8000

October 23, 2017

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

Dear Commissioners:

The Comprehensive Annual Financial Report (CAFR) of the Virginia Port Authority ("VPA" or "the Authority") for the fiscal year ended June 30, 2017, 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, 2017. The independent auditor's report is located at the beginning of the financial section of this report.

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

Profile of the Virginia Port Authority

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

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

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

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

Finance and Risk Management

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

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

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

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

Virginia Port Authority and the Economy

The Port's success has generated significant economic spin-off benefits to the Commonwealth. Annually, port-related business and activity directly and indirectly contribute to Virginia's economy and account for more than 374,000 jobs, approximately 9.4% of the state's resident workforce. The positive effects of our evolution reverberate throughout Virginia. In FY2017, the port helped drive businesses to invest $860 million resulting in the development of nearly three million square feet of space that can generate as many as 4,045 new jobs for Virginians. Our expansion enables these trends to continue. Since its opening, the Virginia Inland Port, located in Front Royal Virginia, has stimulated the attraction of some 39 warehousing and distribution centers near the Inland Port providing a total investment of $748 million with over 8 million square feet of space together with employee levels of over 8,000 workers. Household names like Wal-Mart, Target, Ace Hardware, Lumber Liquidators, and Keurig Green Mountain have all set up 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

Over the next fifteen years, containerized cargo volume is expected to increase by over 60%, far exceeding the current capacity. The Port of Virginia has unique opportunities to meet this demand with the ability to further expand the VIG terminal, densification of NIT, and the proposed development of a new container terminal on the eastward side of Craney Island. The Hampton Roads region is also mobilizing around the opportunity to develop 20-60 million square feet of supporting distribution center space. The depth of our harbor, having the ability to accommodate the "post-Panamax" vessels and deep-loaded container ships, makes The Port of Virginia a viable option for the changing flow of global freight traffic. Virginia is in the position to become a primary international gateway for the East Coast.

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

Major Initiatives

The 2017 fiscal year was a transformational year for the Port of Virginia. In a complex, multi-faceted transaction, the VPA successfully negotiated an extension of the Virginia International Gateway (VIG) lease to secure the terminal through 2065. The capital lease deal included $321 million in private funding for expansion of the terminal to virtually double existing capacity. In order to secure the transaction, the VPA adopted a new terminal revenue bond resolution, the first in 20 years, and defeased all then-existing terminal revenue debt under the old resolution. The defeasance transaction occurred at just the right moment, before the presidential election and a significant rise in interest rates. With the new bond resolution, new cash flow methodology, debt service coverage requirements, and special funds to support new debt issuances were developed. Through the significant combined efforts of our port colleagues, contractors, and partners, as the 2017 fiscal year ended cash flow, debt service coverage, and reserve balances were all above initial projections at the outset of the transaction.

In parallel to the VIG lease deal, the Governor, Secretary of Transportation, and General Assembly with great foresight recognized the ability of the Port of Virginia to drive economic expansion in the Commonwealth and approved $350 million in funding to expand the southern area of Norfolk International Terminals (NIT), the largest terminal in the Port. The VIG and NIT expansions are underway. When the projects are completed in 2020 the Port will increase container handling capacity by a much needed one million containers, at just the right time as container volume has sustained over 6% growth annually during this decade.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Virginia Port Authority for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016. This was the eleventh consecutive year that the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

Respectfully Submitted,

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

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Virginia Port Authority

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

VIRGINIA PORT AUTHORITY

Norfolk, Virginia

BOARD OF COMMISSIONERS

John G. Milliken, Chairman

John N. Pullen, Vice Chairman

Jennifer D. Aument
J. William Cofer
Alan A. Diamonstein
Gary T. McCollum
Val S. McWhorter
Faith B. Power
Kim Scheeler
Deborah C. Waters
F. Blair Wimbush

Manju S. Ganeriwala, State Treasurer
(ex-officio member of the Board)
Stephen M. Moret, President and Chief Executive Officer, Virginia Economic Development Partnership

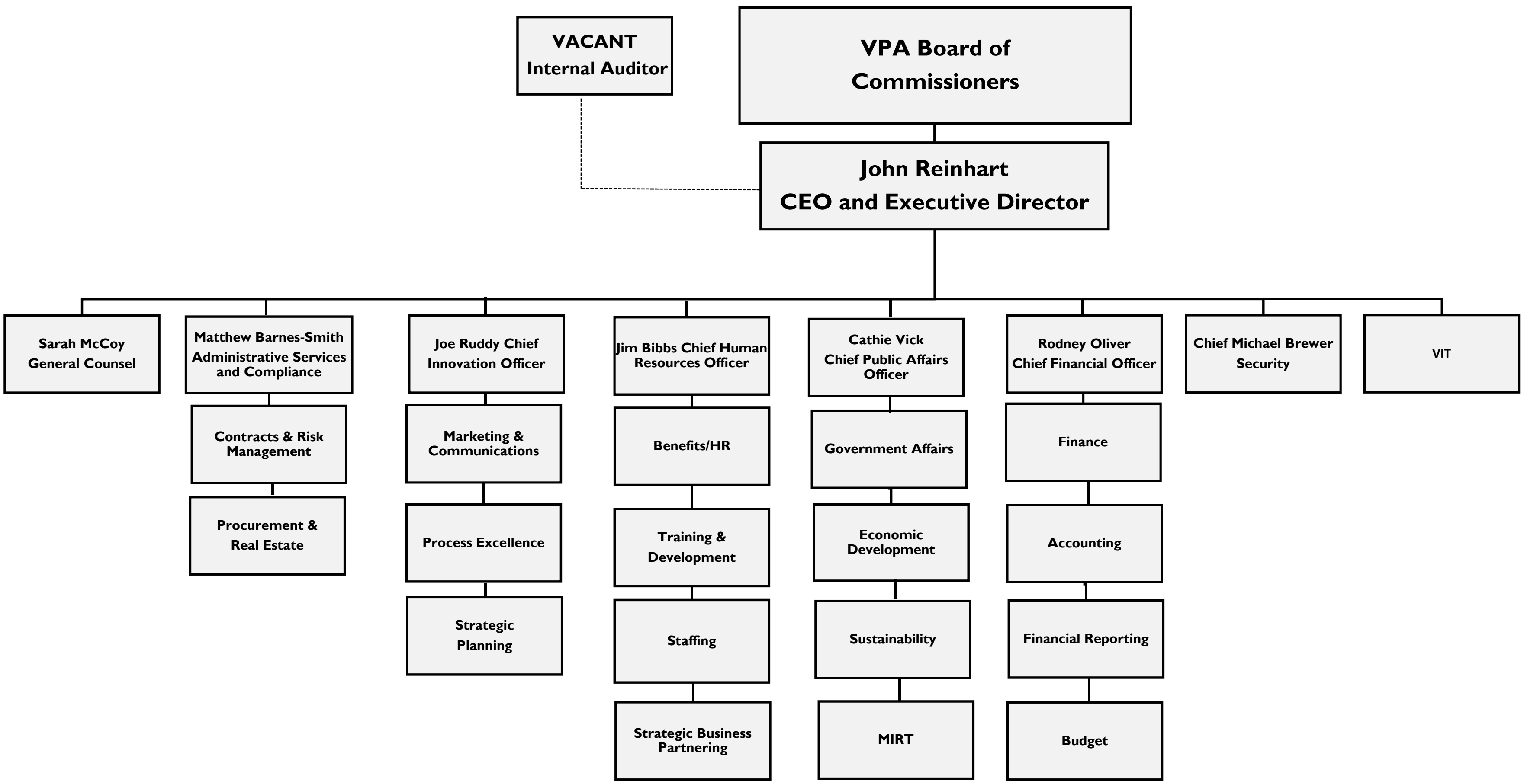
APPOINTED OFFICIALS

John F. Reinhart, CEO and Executive Director

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

Debra J. McNulty, Clerk and Secretary to the Board

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


VACANT
Internal Auditor
VPA Board of Commissioners
John Reinhart
CEO and Executive Director
Sarah McCoy
General Counsel
Matthew Barnes-Smith
Administrative Services and Compliance
Joe Ruddy Chief Innovation Officer
Jim Bibbs Chief Human Resources Officer
Cathie Vick
Chief Public Affairs Officer
Rodney Oliver
Chief Financial Officer
Chief Michael Brewer
Security
VIT
Contracts & Risk Management
Procurement & Real Estate
Marketing & Communications
Process Excellence
Strategic Planning
Benefits/HR
Training & Development
Staffing
Strategic Business Partnering
Government Affairs
Economic Development
Sustainability
MIRT
Finance
Accounting
Financial Reporting
Budget


OOCL
tex
NYK LOGISTICS
HAMBURG SÜD

INDEPENDENT AUDITOR'S REPORT

The Honorable Terry McAuliffe
Governor of Virginia

The Honorable Robert D. Orrock, Sr.
Chairman, Joint Legislative Audit
and Review Commission

The Board of Commissioners
Virginia Port Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Virginia Port Authority (the Authority), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of June 30, 2017, and the respective changes in financial position and cash flows, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis and the required supplementary information on pages 21-31 and 89-93, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2017 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia
October 23, 2017

VIRGINIA PORT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017

(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, 2017 (FY2017), with selected comparative information for the Fiscal Year ended June 30, 2016 (FY2016). It should be read in conjunction with the Authority's accompanying financial statements and the notes to financial statements. Virginia International Terminals, LLC (VIT) is presented in the Authority's consolidated financial statements as a blended component unit to emphasize that it serves or benefits those outside of the Authority, but the unit is, in substance, part of the primary government's operations even though it is a separate legal entity. This discussion focuses on the blended presentation of VPA with VIT, and to the extent relevant, the results of VIT will include references accordingly.

ABOUT THE AUTHORITY

The Virginia Port Authority was established in 1952 as a political subdivision of the Commonwealth of Virginia for the purpose of stimulating commerce within the Commonwealth, through the promotion of the shipment of goods and cargoes through the ports, improvement of the navigable tidal waters within the Commonwealth, and in general engaging in any activity within the scope of its mission which may be useful in developing, improving, or increasing commerce of the ports of the Commonwealth. The Authority owns and is responsible for the operations and security of three marine terminals: Norfolk International Terminals (NIT), Portsmouth Marine Terminal (PMT), and Newport News Marine Terminal (NNMT), and an inland intermodal facility, the Virginia Inland Port (VIP) located in Front Royal, Virginia. The Authority is also responsible for the operations and security of two leased marine terminals: Virginia International Gateway (VIG), located in Portsmouth, Virginia and Richmond Marine Terminal (RMT), located in Richmond, Virginia on the James River. These facilities primarily handle import and export containerized and break-bulk 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. While the Commissioners remain on the Board at the continuing discretion of the Governor, they serve staggered five-year terms. Commissioners may serve a maximum of two consecutive terms.

FINANCIAL HIGHLIGHTS

- Net position for VPA at June 30, 2017 increased by $100.7 million during FY2017 compared to an increase of $38.3 million during FY2016.

- Operating income for VPA increased from $4.7 million to $33.4 million, marking the third consecutive year that VPA has reflected an operating profit.

- Volume of just under 1.6 million containers moved through the terminal properties owned or leased by VPA during FY2017, surpassing the previous year's record volume by 7.2%

- Liquidity continues its sound trend, with net working capital of $238.7 million and a current ratio (current assets divided by current liabilities) of 4.2.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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 or resources, liabilities and deferred inflows of resources, and net position at June 30, 2017 and 2016, respectively, follows:

Net Position
(USD millions)

	2017	2016	Increase/ (Decrease)
ASSETS			
Current assets	$ 313.8	$ 312.8	$ 1.0
Capital assets, net	3,043.1	783.9	2,259.2
Other long-term assets	71.4	52.5	18.9
Total assets	3,428.3	1,149.2	2,279.1
DEFERRED OUTFLOWS OF RESOURCES	42.5	18.3	24.2
Total assets and deferred outflows of resources	3,470.8	1,167.5	2,303.3
LIABILITIES			
Current liabilities	75.1	82.2	(7.1)
Noncurrent liabilities	2,766.3	556.8	2,209.5
Total liabilities	2,841.4	639.0	2,202.4
DEFERRED INFLOWS OF RESOURCES	5.7	5.5	.2
Total liabilities and deferred inflows of resources	2,847.1	644.5	2,202.6
NET POSITION			
Net investment in capital assets	344.5	299.2	45.3
Restricted	69.5	61.3	8.2
Unrestricted	209.7	162.5	47.2
Total net position	$ 623.7	$ 523.0	$ 100.7

ASSETS

Current Assets remained flat year over year, higher cash balances from the generation and retention of terminal revenues was offset by the expenditure of bond proceeds toward capital projects and the establishment of reserves in accordance with VPA Resolution No, 16-9, adopted in September 2016 and authorizing the restructure of the Authority's terminal revenue debt and replacing the formerly effective Resolution 97-5.

Capital assets (the cost of capital assets less accumulated depreciation and amortization) increased $2.3 billion year over year, predominantly due to the execution of the Amended and Restated Deed of Facilities Lease Agreement entered into with Virginia International Gateway, Inc. in September 2016 (the VIG lease). This lease for the existing and to-be-expanded VIG terminal replaced the previous operating lease. Owing to the substance and extent of the agreement, its terms qualified for capital lease treatment, and resulted in the recording of $2.2 billion of capital lease and fixed assets, and a corresponding liability in the same amount upon the closing of the lease in November 2016. Additionally, VPA is also expanding the NIT terminal with assistance from a $350 million capital grant provided by the Commonwealth of Virginia. During FY2017, VPA invested just under $100 million in the development of NIT, which project is expected to extend into fiscal year 2021.

The increase to deferred outflows of resources was principally the result of the issuance of Port Facilities Revenue Refunding bonds in November 2016 (Series 2016) coincident with the closing of the VIG lease. See note six and seven in the notes to financial statements for additional discussion of bonds and other indebtedness. Also influencing the increase are changes in the actuarial assumptions and actual experience vs. expected experience related to the Authority's pension plans. See note nine in the notes to financial statements for additional discussion of pensions.

LIABILITIES

Current liabilities remained essentially flat year over year, representing a normal volume of trade activity and in keeping with the Authority's ability during the year to pay its liabilities as they come due.

Noncurrent liabilities increased by $2.2 billion, principally related to recording of the lease liability associated with the VIG lease as referenced above. Additionally, the Authority paid principal and interest debt service on Bond Issues and Master Equipment Leases of approximately $37 million during the year, which was mostly offset by increased Port Facilities Revenue Refunding borrowings (Series 2016) to execute the defeasance of its Series 2015 and prior Port Facilities Revenue bonds – see discussion below in this MD&A and note six in the notes to financial statements for further discussion of the Authority's long term liabilities.

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 principally as the result of investment in the expansion of NIT and the North Gate project, offset to a degree by additional borrowings to restructure VPA's terminal revenue debt as described above. These capital assets are the industrial base for the provision of services to major steamship lines and their agents for movement of maritime cargo. For liquidity purposes it should be noted the resources required to repay the debt incurred to purchase and develop the capital assets must be provided annually from terminal operations (principally those of the blended component unit – VIT) and appropriation (Commonwealth Port Fund), since the capital assets themselves generally are not monetized to liquidate liabilities.

Net position - restricted represents resources, principally cash and investments, that are subject to external restrictions on how they can be used under bond resolutions and related covenants. The increase in the balance is due mostly to the establishment and funding of additional reserve balances to secure the payment of senior obligations and the Series 2016 Port Facilities Revenue Refunding Bonds in accordance with Resolution 16-9.

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 accumulation of cash associated with terminal operating revenues, contributed to the increased FY2017 balance. These balances are being accumulated and preserved in anticipation of escalating lease payments ahead of the realization of anticipated accretion associated with the VIG and NIT terminal expansion projects.

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, 2017 and 2016, follows:

Revenues, Expenses, and Changes in Net Position

(USD Millions)

	2017	2016	Increase/ Decrease
Operating revenues	$ 490.8	$ 454.8	$ 36.0
Operating expenses	457.4	450.1	7.3
Operating income	33.4	4.7	28.7
Non-operating revenues (expenses), net	13.3	(7.9)	21.2
Income (loss) before capital contributions and transfers	46.7	(3.2)	49.9
Capital contributions:			
Commonwealth port fund allocation	41.5	42.4	(0.9)
Capital transactions with other government agencies	(0.8)	(0.9)	0.1
Increase in net position before special item	87.4	38.3	49.1
Special item – lease conversion	13.3	-	13.3
Increase in net position	$ 100.7	$ 38.3	$ 62.4

Approximately 98 percent 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.

Fiscal year 2017 operating revenues increased 7.9%, correlating with the 7.2% increase in volume.

Operating expenses increased by 1.6%. Terminal operations expense increased by 7.8%. Operations expenses in relation to volume are being influenced upward by the transition of volumes to PMT to accommodate the VIG and NIT terminal expansions. Terminal maintenance expense increased by 4.8% related to investment in the condition of property and equipment.

Facility rental decreased 68.7% or $38.2 million as a result of the capital lease treatment applied to the VIG lease in November 2016. This decrease was partially offset by amortization of the new capital lease asset of $17.4 million. Accordingly, $20.9 million of the $28.7 million increase in operating income is attributed to the capital accounting treatment required by the amended and restated VIG lease compared to the operating treatment required by the previous lease.

Non-operating revenues/expenses were $21.2 million favorable when compared to Fiscal Year 2016. The Authority recognized non-operating revenue of $84.7 million related to assistance from the Commonwealth of Virginia toward the expansion of NIT. Additionally, the Authority received federal grant revenue in support of the development of the NIT North Gate complex. The non-operating grant revenue was partially offset by $67.6 million in interest expense recognized pursuant to the capital lease accounting associated with the VIG capital lease as discussed in more detail below and in the notes to financial statements.

Capital contributions from the Commonwealth Port Fund (CPF) – allocations appropriated from the Transportation Trust Fund - are generally restricted in purpose to enhancement/major maintenance of the Authority's terminal facilities through direct reimbursement or service of debt supported by the CPF allocation. The decrease of $0.9 million over Fiscal Year 2016 is the result of timing regarding the collection of the supporting tax revenues and, while relatively stable in nature on a historical basis, is not controllable by the Authority.

As an element of the original operating lease for the VIG facility, certain assets were acquired by VPA with a cost of $13.3 million. The lease agreement required that a commensurate quantity and inflation-adjusted value of similar assets be returned to the lessor upon termination of the lease, for which VPA recorded and carried a commensurate liability. Upon the commencement of the amended and restated lease, all such provisions were combined into the minimum lease payments and the existing liability was de-recognized, resulting in the reflection of a Special Item-Lease Conversion of $13.3 million in the Statement of Revenues, Expenses and Changes in Net Position.

Statement of Cash Flows

The Statement of Cash Flows provides information about the cash receipts and cash payments during the reporting period. The statement reports this activity in the context of operating, investing, and financing 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 the fiscal years 2017 and 2016, respectively, follows:

Condensed Statement of Cash Flows

(USD Millions)

	2017	2016	Increase/ (Decrease)
Cash flow provided by operating activities	$ 77.2	$ 60.2	$ 17.0
Cash flow provided by noncapital financing activities	6.0	0.5	5.5
Cash flow provided by (used in) capital and related financing activities	(78.7)	(46.5)	(32.2)
Cash flow provided by investing activities	16.0	1.2	14.8
Net increase in cash and cash equivalents	20.5	15.4	5.1
Cash and cash equivalents			
Beginning of year	237.8	222.4	15.4
End of year	$ 258.3	$ 237.8	$ 20.5

Cash flow provided by operating activities was $17.0 million higher in fiscal year 2017 as a result of the VIG lease payments being classified as financing cash flows from November 2016 forward. Prior to the amended and restated VIG capital lease, all payments made for the operating lease were reflected as operating activities. With the closing of the capital lease, operating lease payments declined by $38.2 million (lease payments made from November 2016 through June 2017 are reflected as financing activities). When adjusted for this transaction, operating cash flow year over year declined approximately $21 million as a result of the timing difference between collections on revenue and the payment of operating costs related to higher volumes, as well as investments in personnel and the expiration of certain operating grants supporting the James River Barge service.

Cash provided by non-capital financing activities consists principally of funds received from other state agencies to assist with certain dredging activities.

Cash used in capital and related financing activities was $32.2 million higher for fiscal year 2017. During FY2017, lease payments made toward the VIG lease in the amount of $44.6 million were classified as financing activities (analogous to debt payments), and investment in capital expenditures was $10.5 million higher principally as a result of investment activity in the NIT North Gate project. This was offset in part by the net proceeds realized from the refunding of Port Facilities Revenue Bonds as described in more detail below and in note six to the notes to financial statements.

The increase in cash provided by investing activities principally reflects the liquidation of investments in the Authority's debt service reserve accounts ahead of closing the Port Facilities Revenue Refunding Bonds transaction as described below. The funds were used in part to fund the additional reserves referred to elsewhere in this discussion, and to provide liquidity to the escrow deposits required to defease the Series 2015 and prior terminal revenue debt.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The investment in capital assets for the Authority at June 30, 2017, carried at historical cost less accumulated depreciation, primarily includes land, buildings, wharves, roads, drainage and lighting systems, and equipment.

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

- South NIT - $84.7 million – financed in part by grant assistance from Commonwealth of Virginia
- VIG Phase I - $61.2 million – financed by the VIG lessors
- Completion of the NIT North Gate – total project of $42.0 million
- Rail and portal improvements - $13.5 million
- Maintenance dredging to ensure adequate berth depth - $7.0 million
- Wharf Restoration and Empty Container Yard Expansion - $4.6 million
- Container movement and yard equipment - $4.4 million
- Additions to Real Estate - $2.5 million

Further discussion of capital asset activities can be found in note five in the notes to financial statements.

Debt and Installment Purchase Obligations

At June 30, 2017, the Authority had $2.7 billion in outstanding bond and capital lease obligations, excluding issuance premiums and deferred items. Of this amount, $524.3 million is in the form of revenue bonds issued by the Authority and $2.2 billion in capitalized lease obligations related to the VIG lease.

In November 2016, the Authority completed the most complex and sizable financial transaction in its history by closing on the Amended and Restated Deed of Facilities lease for the VIG terminal and concurrently refinancing all of its Port Facilities Revenue Bonds.

On November 17, 2016, the Virginia Port Authority (VPA) formally commenced an amended and restated deed of facilities lease agreement (referred to herein as "the VIG lease"). The essence of the agreement is the expansion of the operable terminal capacity and extension of the current lease of the Virginia International Gateway (VIG) facility in Portsmouth, Virginia as originally executed in 2010. The substantive provisions of the agreement include:

- An extension of the lease termination date from June 30, 2030 to December 31, 2065.
- The development of approximately 60 acres (designated as Phase II) of the terminal property, expansion of the existing wharf by 650 feet, provision of an additional 10,000 feet of on-dock rail, and the effective doubling of the capacity of the VIG terminal. The lessor is funding the Phase II development cost of approximately $321 million (subject to a floor of $288 million and a cap of $352 million) with the ultimate cost to be recovered through the minimum lease payments paid by VPA. Current projections are for this development to be complete by April 2019.
- A significant portion of the equipment will be titled to VPA at varying points in time across the span of the lease in the form of an installment sale financed through the minimum lease payments.
- The payment terms of the restated lease will consist of an initial annual base rent of $51.7 million, plus $11 million of expansion rent during the first lease year, increasing to $22 million of expansion rent during the second lease year, and finally $33 million during the third lease year and thereafter (e.g. $84.7 million of annual base rent from year three forward); the amount of additional rent could fluctuate up or down depending on the ultimate expansion cost funded. During the construction period, the restated lease also provides for an additional $1 million annually of interim construction rent. After years five and ten of the restated lease, the total annual rent is increased by an additional $1 million at each interval. All lease payments are subject to escalation based on changes in the Consumer Price Index.

Strategically, the VIG lease provides for the securing of terminal capacity through 2065, and the ability to rapidly expand capacity in the near-term, thereby affording the ability to continue planning and preparation for the longer-term potential to develop Craney Island.

In September 2016 the Authority's Board of Commissioners adopted Resolution 16-9 which provides for, among other things, the legal defeasance of Resolution 97-5 (the previous authority for issuing and administering Port Facilities Revenue Bonds) through the issuance of new Port Facilities Revenue Refunding Bonds.

Pursuant to Resolution 16-9, Port Facilities Revenue Refunding Bond Series' 2016A, 2016B and 2016C were issued in November 2016 for a combined par value of $280.5 million to refund Series 2010, 2015A, 2015B and 2013 Port Facilities Revenue Refunding Bonds with a combined outstanding par value of $245.5 million, as well as refund $14.2 million in outstanding principal related to existing Master Equipment Lease financing. 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.

Commonwealth Port Fund Revenue bonds issued in 2011, 2012 and 2015 are supported by the Authority's 4.2% allocation of the Commonwealth's Transportation Trust Fund. The bonds are also backed by a sum sufficient appropriation from the Commonwealth and carry underlying ratings of AA+ from Fitch Ratings, Inc., an AA+ rating from Standard and Poor's, and an Aa1 rating from Moody's Investor Services.

The Authority's bond covenants for Port Facilities Revenue Bonds require the net revenues available to pay debt service, as defined in Resolution 16-9, to cover 100% of current expenses. Also, the greater of aggregate net revenue and aggregate adjusted net revenue as defined in Resolution 16-9 will not be less than 110% and 125%, respectively, of the aggregate principle and interest requirements for the applicable bond year. Additionally, the sum of net revenue and capital expenditures will not be less than 100% of the sum of the aggregate principal and interest requirements for the applicable bond year. The debt service coverage tests based on the foregoing criteria were exceeded for fiscal year 2017. See the compliance section for further detail.

More details on long-term debt can be found in notes six and seven in the notes to financial statements.

ECONOMIC AND OTHER FACTORS AND RECENT DEVELOPMENTS

Many of the Authority's capital projects, either directly, or indirectly through bond issues, are funded from the Commonwealth of Virginia's Transportation Trust Fund. The Authority receives 4.2% of Transportation Trust Fund collections, which are revenues generated primarily by state motor vehicle fuel and sales taxes. Trust Fund collections are subject to the economic conditions existing throughout the Commonwealth, and are not controlled by the Authority. Accordingly, while this funding source has proven to be historically stable and is expected to remain relatively so, it should be expected to vary from year to year.

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

During FY2017, the Authority continued its efforts to expand and modernize NIT with funding from a $350 million grant program provided by the Commonwealth of Virginia. The investment is being used to reconfigure the South Terminal at NIT, including implementation of a rail-mounted gantry crane configuration which will increase cargo capacity by over 46%, increase throughput velocity and enhance yard safety at the terminal. The project is expected to enter service in phases, with the final phases planned to go live in July 2020.

Looking into Fiscal Year 2018, container movements in fiscal year 2018 through September 2017 are 6.6% higher than the comparable prior year period. The terminal facilities are heavily utilized and are expected to remain so into the near future. The port believes its expansion efforts are timely in that they will position Virginia as a premier gateway to the East coast and Midwest at a time when volumes are steadily increasing and larger ships will bring higher volumes per port call.

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

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

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

VIRGINIA PORT AUTHORITY
STATEMENT OF NET POSITION
June 30, 2017

	Authority	Virginia International Terminals, LLC	Eliminations	Total Business-Type Activities
ASSETS				
Current assets:				
Cash and cash equivalents	$ 124,865,160	$ 22,108,798	$ -	$ 146,973,958
Restricted assets:				
Cash and cash equivalents	40,298,049	-	-	40,298,049
Accounts receivable, net	5,912,120	73,095,119	(586,184)	78,421,055
Due from other governments	19,417,628	-	-	19,417,628
Due from component unit	5,525,102	-	(5,525,102)	-
Inventories	-	23,459,431	-	23,459,431
Prepaid expenses and other	100,980	5,132,359	-	5,233,339
Total current assets	196,119,039	123,795,707	(6,111,286)	313,803,460
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	71,034,861	-	-	71,034,861
Other	443,898	-	-	443,898
Non-depreciable capital assets	299,423,824	8,495,122	-	307,918,946
Depreciable/amortizable capital assets, net	2,710,657,767	24,522,546	-	2,735,180,313
Total noncurrent assets	3,081,560,350	33,017,668	-	3,114,578,018
Total assets	3,277,679,389	156,813,375	(6,111,286)	3,428,381,478
DEFERRED OUTFLOWS OF RESOURCES				
Pension and bond refunding, net	30,788,602	11,677,588	-	42,466,190
Total assets and deferred outflows of resources	$ 3,308,467,991	$ 168,490,963	$ (6,111,286)	$ 3,470,847,668

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

VIRGINIA PORT AUTHORITY
STATEMENT OF NET POSITION
June 30, 2017

	Authority	Virginia International Terminals, LLC	Eliminations	Total Business-Type Activities
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	$ 20,637,383	$ 23,606,283	$ (586,184)	$ 43,657,482
Interest payable	12,210,351	-	-	12,210,351
Retainage payable	2,958,237	-	-	2,958,237
Long-term debt - current portion	12,623,297	-	-	12,623,297
Compensated absences - current portion	973,906	1,317,111	-	2,291,017
Payroll withholdings	611,467	495,006	-	1,106,473
Obligations under securities lending	341,453	-	-	341,453
Due to Parent Member	-	5,525,102	(5,525,102)	-
Total current liabilities	50,356,094	30,943,502	(6,111,286)	75,188,310
Noncurrent liabilities:				
Long-term debt	537,499,293	-	-	537,499,293
Capital lease obligations	2,204,492,739	-	-	2,204,492,739
Compensated absences	15,635	323,938	-	339,573
Workers' compensation costs	-	1,823,067	-	1,823,067
Accrued pension and OPEB obligations	7,037,193	15,090,025	-	22,127,218
Total noncurrent liabilities	2,749,044,860	17,237,030	-	2,766,281,890
Total liabilities	2,799,400,954	48,180,532	(6,111,286)	2,841,470,200
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources	1,953,796	3,756,024	-	5,709,820
Total liabilities and deferred inflows of resources	2,801,354,750	51,936,556	(6,111,286)	2,847,180,020
NET POSITION				
Net investment in capital assets	311,479,560	33,017,668	-	344,497,228
Restricted for:				
Debt service	69,531,520	-	-	69,531,520
Unrestricted	126,102,161	83,536,739	-	209,638,900
Total net position	507,113,241	116,554,407	-	623,667,648
Total liabilities, deferred inflows of resources and net position	$ 3,308,467,991	$ 168,490,963	$ (6,111,286)	$ 3,470,847,668

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

VIRGINIA PORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2017

	Authority	Virginia International Terminals, LLC	Eliminations	Total Business-Type Activities
Operating revenues:				
Terminal operating revenues	$ -	$ 478,618,874	$ -	$ 478,618,874
Other revenues	10,102,177	-	-	10,102,177
Other revenues - Grants, Federal and State	2,113,617	-	-	2,113,617
Operating revenues from component unit	120,512,239	-	(120,512,239)	-
Total operating revenues	132,728,033	478,618,874	(120,512,239)	490,834,668
Operating expenses:				
Terminal operations	1,433,126	205,125,713	-	206,558,839
Terminal maintenance	7,814,171	92,072,802	-	99,886,973
General and administrative	17,136,465	42,006,004	-	59,142,469
Facility rental	17,429,000	-	-	17,429,000
Depreciation and Amortization	70,124,183	4,281,461	-	74,405,644
Payments due to Authority	-	120,512,239	(120,512,239)	-
Total operating expenses	113,936,945	463,998,219	(120,512,239)	457,422,925
Operating income	18,791,088	14,620,655	-	33,411,743
Non-operating revenues (expenses):				
Interest income	895,675	2,706	-	898,381
Interest expense	(88,300,075)	-	-	(88,300,075)
Bond issue costs	(2,749,482)	-	-	(2,749,482)
Revenues, other state proceeds	6,990,924	-	-	6,990,924
Revenues from federal government	11,988,133	-	-	11,988,133
Revenues (primary government)	84,461,557	-	-	84,461,557
Loss on disposals	(20,574)	-	-	(20,574)
Total non-operating revenues, net	13,266,158	2,706	-	13,268,864
Income before capital contributions and transfers	32,057,246	14,623,361	-	46,680,607
Capital contributions and transfers:				
Commonwealth Port Fund allocation	41,469,200	-	-	41,469,200
Payment to federal government - channel dredging	(755,980)	-	-	(755,980)
Capital contributions (to) from component unit	22,447,458	(22,447,458)	-	-
Increase (decrease) in net position	95,217,924	(7,824,097)	-	87,393,827
Special item - lease conversion	13,277,025	-	-	13,277,025
Increase (decrease) in net position after special item	108,494,949	(7,824,097)	-	100,670,852
Net position - Beginning of Year	398,618,292	124,378,504	-	522,996,796
Net position - End of Year	$ 507,113,241	$ 116,554,407	$ -	$ 623,667,648

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

VIRGINIA PORT AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2017

	Authority	Virginia International Terminals, LLC	Eliminations	Total Business-Type Activities
Cash flows from operating activities:				
Receipts from customers and users	$ 127,721,404	$ 478,179,180	$ (124,505,959)	$ 481,394,625
Receipts from operating grants	2,620,856	-	-	2,620,856
Payments for operating expenses	(43,897,798)	(230,101,683)	-	(273,999,481)
Payments to employees	(19,103,924)	(113,705,632)	-	(132,809,556)
Net cash provided by operating activities	67,340,538	134,371,865	(124,505,959)	77,206,444
Cash flows from noncapital financing activities:				
Other state grant proceeds	6,990,927	-	-	6,990,927
Transfer to Primary Government	(199,575)	(124,505,959)	124,505,959	(199,575)
Payment to federal grant - channel dredging	(755,980)	-	-	(755,980)
Net cash provided by (used in) noncapital financing activities	6,035,372	(124,505,959)	124,505,959	6,035,372
Cash flows from capital and related financing activities:				
Proceeds from long-term debt	26,704,921	-	-	26,704,921
CPF contribution	41,616,236	-	-	41,616,236
Acquisition of capital assets	(147,462,673)	(6,448,327)	(552,265)	(154,463,265)
Grant funding recieved from state government	82,690,348	-	-	82,690,348
Facility capital lease payments	(42,577,888)	-	-	(42,577,888)
Principal paid on long-term debt	(19,596,970)	-	-	(19,596,970)
Interest paid on long-term debt	(18,726,713)	-	-	(18,726,713)
Bond issue costs	(2,749,482)	-	-	(2,749,482)
Capital transfer to/from component unit	22,447,458	(22,447,458)	559,616	559,616
Revenue from federal government	8,428,119	-	-	8,428,119
Other	(628,938)	7,351	(7,351)	(628,938)
Net cash used in capital and related financing activities	(49,855,582)	(28,888,434)	-	(78,744,016)
Cash flows from investing activities:				
Proceeds from sales and maturities of investments	13,862,866	1,529,536	-	15,392,402
Payments for investment purchases	-	(353,685)	-	(353,685)
Interest received and other	897,651	23,659	-	921,310
Net cash provided by investing activities	14,760,517	1,199,510	-	15,960,027
Net increase (decrease) in cash and cash equivalents	38,280,845	(17,823,018)	-	20,457,827
Cash and cash equivalents - beginning of year	197,917,225	39,931,816	-	237,849,041
Cash and cash equivalents - end of year	$ 236,198,070	$ 22,108,798	$ -	$ 258,306,868

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

VIRGINIA PORT AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2017

	Authority	Virginia International Terminals, LLC	Eliminations	Total Business-Type Activities
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	$ 18,791,088	$ 14,620,655	$ -	$ 33,411,743
Adjustments to reconcile earnings to net cash provided by operating activities:				
Payments to Authority	-	120,512,239	(120,512,239)	-
Non-operating income	-	2,706	-	2,706
Depreciation and amortization	70,124,183	4,281,461	-	74,405,644
Pension expense	406,919	1,279,595	-	1,686,514
Interest income	-	(332)	-	(332)
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(5,912,120)	(442,070)	(3,993,720)	(10,347,910)
(Increase) decrease in inventories	-	(3,879,442)	-	(3,879,442)
Decrease in due from VIT	3,526,347	-	-	3,526,347
(Increase) decrease in prepaid expenses	(33,812)	166,489	-	132,677
Increase (decrease) in accounts payable and accrued expenses	3,822,123	(1,874,672)	-	1,947,451
Increase in due to VPA	-	459,303	-	459,303
Increase (decrease) in other accrued expenses	(330,610)	209,114	-	(121,496)
Deferred outflows of resources-defined benefit plan	(1,513,008)	(963,181)	-	(2,476,189)
Deferred inflows of resources-bonds	(21,018,602)	-	-	(21,018,602)
Deferred outflows of resources-bonds	(521,970)	-	-	(521,970)
Net cash provided by operating activities	$ 67,340,538	$ 134,371,865	$ (124,505,959)	$ 77,206,444

Supplemental schedule of non cash capital and related financing activities

Note payable - dredging costs	$ 2,158,013
Interest paid on lease liability	67,620,348
VIG lease asset/liablity	2,179,450,278

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

NOTES TO FINANCIAL STATEMENTS

(including Blended Component Unit Virginia International Terminals, LLC)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Virginia International Terminals, Inc. was incorporated as a non-stock, nonprofit corporation on June 30, 1981, for the purpose of operating marine terminals controlled by the Authority through ownership, lease or other means. Effective August 17, 2013, Virginia International Terminals, Inc. converted from a nonprofit, non-stock corporation to a single-member limited liability company with VPA as the sole member. As a result, the Authority has determined that Virginia International Terminals, LLC (VIT) should be included in the Authority's financial statements as a blended component unit. A blended component unit is, in substance, part of the primary government's operations, even though it is a legally separate entity. As a blended component unit, VIT serves or benefits those outside the Authority, but the Authority, as the primary institution, is financially accountable for or closely related to VIT. VIT's audit report can be obtained by contacting the Manager of Financial Reporting and Budget at 1431 Terminal Blvd, Norfolk, VA 23505.

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

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of Accounting - continued

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.

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.

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.

Investments

All investments of the Authority are reported at fair value.

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, 2017 for the Authority. VIT utilizes the allowance method for doubtful accounts. Accounts receivable are shown net of the allowance for doubtful accounts of approximately $9.2 million as of June 30, 2017 for VIT. The allowance for doubtful accounts is an amount management believes will be adequate to absorb losses on existing accounts receivable that may become uncollectible.

Inventories

The Authority purchases supplies on an as needed basis. Inventories of VIT consist of supplies and equipment parts and are reported using the average cost method. An inventory allowance has been established for parts identified as obsolete or to be disposed of within the next 12 months. The VIT allowance for inventory totaled $100,000 at June 30, 2017.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Capital Assets

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

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

Buildings	3 - 41 years
Improvements other than buidings	5 - 50 years
Infrastructure	4 - 41 years
Equipment	3 - 28 years
Capital Lease Assets	Life of the lease

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

Interest cost associated with the construction of the Authority's capital assets are capitalized and reflected as part of the cost of the asset. Interest cost incurred is charged to the assets under construction. Projects funded entirely by a specific borrowing receive the effective interest rate on that borrowing. Projects funded by multiple borrowings receive interest based on the weighted average interest rate of all Authority borrowings. No interest is capitalized on the portion of projects funded by grants. Interest capitalized for the fiscal year ended June 30, 2017 was approximately $1.1 million.

A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. If determined to be permanently impaired, capital assets are reported at the lower of carrying or fair value. Any insurance recoveries associated with events leading to an asset impairment are netted against impairment losses. The Authority did not maintain any impaired assets as of June 30, 2017.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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 and 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.

Compensated Absences

Compensated absences represent the amounts of paid time off (PTO) and legacy leave earned by employees of the Authority, but not taken at June 30, 2017. On January 1, 2015 the Authority converted the employees' earned but not used compensated absence balances as of December 31, 2014 into a separate Legacy Leave Bank. Legacy Leave is available for use as paid time off until December 31, 2019. Balances remaining unused at January 1, 2020 will be frozen to use. Legacy Leave may be paid out upon termination based on an employee's December 31, 2014 wage rate times the then current balance or 160 hours, whichever is less.

Additionally, modifications to the current PTO policy require that any unused PTO in excess of 40 hours be forfeited at the end of each calendar year. Up to forty hours of earned but unused PTO at the end of a calendar year may be carried over into the next calendar year for use within the next 6 months. At June 30, all prior year earned but unused PTO balances will be forfeited. Balances are earned on a quarterly basis but available for use on January 1 each year. PTO used in excess of amounts actually earned at termination are to be repaid to the Authority.

VIT has an identical compensated absences policy. See note six for further discussion.

Budgets and Budgetary Accounting

The Appropriations Act as enacted by the General Assembly of Virginia established the Authority's budget for the year ended June 30, 2017. No payments can be made out of the state treasury except in pursuance of appropriations made by law.

Restricted Assets

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Net Position

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until consumption. At June 30, 2017, the Authority had $30,788,602 of deferred outflows of resources; $4,170,010 were pension-related with the balance, $26,618,592 being bond-related.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that period. At June 30, 2017, the Authority had $1,953,796 of deferred inflows of resources; $1,542,464 for the stand-alone pension plan, $215,000 for the multiple-employer pension plan, and $196,332 related to bonds.

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

At June 30, 2017, VIT had $11,677,588 of deferred outflows of resources; all was pension related and $3,756,024 of deferred inflows of resources; all was pension-related.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's Retirement Plan and the additions to/deductions from the Authority's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For the stand-

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

alone plan and the multiple employer plan, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Pension Liability

The Authority's stand-alone net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016 using updated actuarial assumptions, applied to all periods included in the measurement.

Operating vs. Non-operating

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

Investment Income

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

Subsequent Events

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through October 23, 2017, the date the financial statements were available to be issued.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Recently Issued Accounting Pronouncements

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will improve accounting and financial reporting by state and local governments for OPEB. It will also require the recognition of the entire OPEB liability and a comprehensive measure of OPEB expense. GASB Statement No. 75 will be effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No. 73*, the objective of this Statement is to address certain issues that have been raised with respect to Statement No. 67, *Financial Reporting for Pension Plans*, Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (ARO's). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for ARO's. Statement No. 83 will be effective for fiscal years beginning after June 15, 2018.

GASB Statement No. 84, *Fiduciary Activities*, will improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Statement No. 84 will be effective for fiscal years beginning after December 15, 2018.

GASB Statement No. 85, *Omnibus 2017*, will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements. Statement No. 85 will be effective for fiscal years beginning after June 15, 2017.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - concluded

Recently Issued Accounting Pronouncements – concluded

GASB Statement No. 86, *Certain Debt Extinguishment Issues,* will improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt-are place in an irrecovable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to the financial statements for debt that is defeased in substance. Statement No. 86 will be effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 87, *Leases*, will require reporting of certain lease assets and liabilities and deferred inflows of resources for leases that previously were classified as operating leases. Statement No. 87 will be effective for fiscal years beginning after December 15, 2019.

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

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

As of June 30, 2017, 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 $70,689,820 in cash and cash equivalents for the Authority.

Certain deposits and investments are held by the Authority or are held by trustees for the Authority. These accounts are collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400, et seq., Code of Virginia, or covered by the *Federal Deposit Insurance Corporation* (FDIC). Under the Act, banks and savings institutions holding public deposits in excess of the FDIC amounts must pledge collateral to the Commonwealth of Virginia Treasury Board. At June 30, 2017, all Authority deposits were considered fully 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, 2017, these assets aggregated $111,332,910, with $40,298,049 classified as current and $71,034,861 classified as noncurrent based on the purpose for which the assets are restricted.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS - continued

Current restricted assets consist of:

- $23,715,394 in cash related to debt service payments to be made July 1, 2017,
- $16,582,071 in a construction fund, and
- $584 in cash and investments for other purposes.

Noncurrent restricted assets consist of:

- $37,860,909 in cash and investments reserved to secure debt service in future years as required by the Authority's bond covenants,
- $20,796,743 in construction fund cash and investments held by trustees that will be used to fund applicable projects, and
- $12,377,209 in cash and investments for other 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.

Cash and Cash Equivalents, Restricted – Authority

		Investment Maturities (in Years)			
	Fair Value	Less than 1	1-5	6-10	More than 10
SNAP	$ 29,591,039	$ 29,591,039	$ -	$ -	$ -
Money Market	9,511,281	9,511,281			
U.S. Treasuries	14,204,113	14,204,113	-	-	-
	$ 53,306,433	$ 53,306,433	$ -	$ -	$ -

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS - continued

As of June 30, 2017, the following shows the segmented time distribution of the Authority's investments (not held by the Treasurer) and its fair value measurement:

Investment Type	Reported Value	Fair Value Less Than 1 Year	Level
U.S. Treasuries	$ 14,204,113	$ 14,204,113	1
Money Market	9,511,281	9,511,281	1
SNAP	29,591,039	29,591,039	N/A
	$ 53,306,433	$ 53,306,433	

Investments held by the Treasurer of Virginia

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

Investments in SNAP

Investment in the Virginia State Non-Arbitrage Program (SNAP) is used to assist in avoiding arbitrage penalties enacted with the Tax Reform Act of 1986. Sections 2.2-4700 through 2.2-4705 of the *Code of Virginia*, the Government Non-Arbitrage Investment Act authorizes the Virginia Treasury Board to provide assistance to the Commonwealth of Virginia, counties, cities, and towns in the Commonwealth, and to their agencies, institutions and authorities of any combination of the foregoing ("Virginia governments") in the management of and accounting for their bond funds, including, without limitation, bond proceeds, reserves, and sinking funds, and the investment thereof. The Virginia SNAP has been assigned an "AAAm" rating by Standard & Poor's. The SNAP Fund is managed to maintain a dollar-weighted average portfolio maturity of 90 days or less and seeks to maintain a constant net value (NAV) per share of $1.00. The Commonwealth of Virginia's Treasury Board has contracted with PFM Asset Management, LLC, Wells Fargo, N.A., U.S. Bank, N.A., and the Bank of New York Mellon Corporation to provide professional services and regulating oversight to the SNAP Program.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS - concluded

Blended Component Unit – VIT

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

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

3. CONCENTRATION OF RISK

Interest Rate Risk – VPA

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 – VPA

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

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

Concentration of Credit Risk – VPA

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.

3. CONCENTRATION OF RISK- concluded

Concentration of Risk – VIT

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. In many cases, VIT can hold cargo shipped through the terminals as collateral for these receivables. Since VIT controls the movement of cargo through the terminals, it has ready access to collateral.

For the year ended June 30, 2017, approximately 34% of total revenue was derived from three customers. Receivables outstanding at June 30, 2017 for this concentration totaled $19,131,391.

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

4. DUE FROM OTHER GOVERNMENTS

Amounts due from other governments as of June 30, 2017 include:

U.S. Department of Transportation	$	8,335,369
Virginia Department of Transportation		334,918
Virginia Department of Emergency Management		388,898
Virginia Commonwealth Port Fund		992,847
Commonwealth of Virginia		1,970,784
U.S. Department of Homeland Security		37,507
Transportation Trust Fund		7,357,305
Total	$	19,417,628

5. CAPITAL ASSETS

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

	Balance June 30, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
Capital assets not being depreciated or amortized:					
Land and improvements	$ 102,749,147	$ -	$ -	$ 1,186,952	$ 103,936,099
Construction in progress (CIP)	122,437,149	147,462,673	(53,868)	(74,358,229)	195,487,725
	225,186,296	147,462,673	(53,268)	(73,171,277)	299,423,824
Depreciable capital assets:					
Infrastructure	656,754,840	3,147,000	-	64,666,799	724,568,639
Buildings	94,083,822	-	-	2,473,758	96,557,580
Improvements other than buildings	30,127,399	-	-	259,359	30,386,758
Equipment	304,165,331	61,452,775	(675,741)	5,771,361	370,713,726
Capital lease assets not otherwise mentioned above*:					
VIG Phase I	-	1,285,549,518	-	-	1,285,549,518
VIG Phase II	-	762,018,056	-	-	762,018,056
VIG ISC Phase II	-	67,570,324	-	-	67,570,324
	1,085,131,392	2,179,737,673	(675,741)	73,171,277	3,337,364,601
Less accumulated depreciation and amortization for:					
Infrastructure	273,484,161	24,307,037	-	-	297,791,198
Buildings	64,487,090	2,750,451	-	-	67,237,541
Improvements other than buildings	24,064,934	677,685	-	-	24,742,619
Equipment	195,228,308	24,951,730	(675,741)	-	219,504,297
Capital lease assets – VIG Phase I	-	17,431,179	-	-	17,431,179
Total accumulated depreciation and amortization	557,264,493	70,118,082	(675,741)	-	626,706,834
Depreciable capital assets, net	527,866,899	2,109,619,591	-	73,171,277	2,710,657,767
Total capital assets, net	$ 753,053,195	$ 2,257,082,264	$ (53,868)	$ -	$ 3,010,081,591

*The capital asset components recorded pursuant to the VIG lease can be summarized as follows:

- VIG Phase I (existing facility) – the original operating facility consisting of buildings, rail infrastructure, stacks and wharf. The facility was in service at the commencement of the lease and accordingly is being amortized over the life of the lease.
- VIG Phase II (facility expansion) – the development of approximately 60 acres adjacent to Phase I which will consist of the extension of the existing berth, a rail expansion and additional container stacks and transfer facilities. This expansion is being managed by the Authority and funded by the lessor, and construction is expected to be completed April 2019. Accordingly, the lease asset as recorded will not be amortized until the facility is placed into service, at which time the asset will be amortized over the remaining lease term.
- VIG Phase II ISC (expansion transfer assets) – A pool of assets, consisting principally of container handling and storage equipment, which will be acquired during (and funded through) the Phase II expansion development. These assets, with an estimated aggregate cost of $67.6 million, will be delivered to the Authority via a bill of sale as acquired, and will be recorded in their applicable asset categories when placed into service to then be depreciated over their estimated useful lives.

5. CAPITAL ASSETS - concluded

Blended Component Unit – VIT

Changes in capital assets for the year ended June 30, 2017 are summarized as follows:

	Balance June 30, 2016	Additions	Deletions and Transfers	Balance June 30,2017
CIP (non-depreciable)	$ 9,489,221	$ 5,294,791	$ (6,288,890)	$ 8,495,122
Depreciable capital assets:				
Automobiles and trucks	6,316,353	229,800	(406,217)	6,139,936
Construction equipment	33,573,700	351,131	(158,041)	33,766,790
Furniture and fixtures	4,794,807	5,816	15,147	4,815,770
Data equipment	41,873,098	566,788	6,251,187	48,691,073
	86,557,958	1,153,535	5,702,076	93,413,569
Less: Accumulated depreciation & amortization	(65,197,093)	(4,281,461)	587,531	(68,891,023)
Depreciable capital assets, net	21,360,865	(3,127,926)	6,289,607	24,522,546
Net capital assets	$ 30,850,086	$ 2,166,865	$ 717	$ 33,017,668

6. LONG-TERM DEBT

Changes in Long-Term Indebtedness

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

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017	Amounts Due Within One Year
Revenue bonds	$ 506,345,000	$ 280,530,000	$ (262,575,000)	$ 524,300,000	$ 11,485,000
Issuance premium	21,542,431	14,609,492	(12,487,346)	23,664,577	1,046,824
Total revenue bonds	527,887,431	295,139,492	(275,062,346)	547,964,577	12,531,824
Installment purchases	17,292,101	-	(17,292,101)	-	-
Note payable - dredging	-	2,158,013	-	2,158,013	91,473
VIG lease	-	2,204,492,739	-	2,204,492,739	-
Compensated absences	1,418,023	1,138,226	(1,566,708)	989,541	973,906
Total	$ 546,597,555	$ 2,502,928,470	$ (293,921,155)	$ 2,755,604,870	$ 13,597,203

6. LONG-TERM DEBT - continued

Details of Long-Term Indebtedness

Revenue Bonds	Balance as of June 30, 2017
On July 27, 2011, Commonwealth Port Fund Revenue Bonds Series 2011 (Non-AMT), (the “Series 2011 Bonds”), dated the same, were issued in the principal amount of $57,370,000. The bonds are payable in annual principle installments varying from $2,565,000 to $9,250,000 beginning July 1, 2028. Semi-annual interest payments commenced January 1, 2012 with interest of 5.0% payable semiannually, the final installment due July 1, 2036. These bonds are payable primarily from the Commonwealth Port Fund. Proceeds of the Series 2011 Bonds have principally been used to finance or refinance the costs of the Craney Island Eastward Expansion (the “2011 Project”) and to pay costs of issuance.	$ 57,370,000
On January 25, 2012, Commonwealth Port Fund Revenue Refunding Bonds Series 2012 (Taxable), (the “Series 2012 Bonds”), dated the same, were issued in the principal amount of $108,015,000. The bonds are payable in annual principal installments varying from $6,575,000 to $8,730,000 with semi-annual interest payments with rates ranging from 1.754% 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.	82,500,000
On September 26, 2012, Commonwealth Port Fund Revenue Refunding Bonds, Series 2012B (Taxable), (the “Series 2012B Bonds”) dated the same, issued in the principal amount of $45,230,000. The bonds are payable in annual principal installments varying from $2,775,000 to $3,630,000 with interest of 1.242% to 3.376% payable semiannually, the final installment due July 1, 2029. Proceeds of the Series 2012B Bonds have been used (a) to pay the costs of refunding all or a portion of the Series 2005A Bonds, and (b) to pay costs of issuance of the Series 2012B Bonds. The Series 2005A Bonds were issued on April 14, 2005. As of July 1, 2012, the outstanding principal amount of the Series 2005A Bonds was $44,990,000. The Series 2005A Bonds are subject to optional redemption on or after July 1, 2015 at a redemption price of 100% of the principal amount thereof. The Series 2012B Bonds are payable primarily from the Commonwealth Port Fund.	40,425,000

6. LONG-TERM DEBT - continued

Details of Long-Term Indebtedness - continued

Revenue Bonds – continued	Balance as of June 30, 2017
On September 26, 2012, Commonwealth Port Fund Revenue Refunding Bonds, Series 2012C (Non-AMT), (the "Series 2012C Bonds") dated the same, were issued in the principal amount of $4,795,000. The bonds are payable in principal amounts of $780,000 and $4,015,000, due July 1, 2029 and July 1, 2030, respectively. Semi-annual interest payments commenced July 1, 2013 with interest of 3.0% to 5.0%, the final installment due July 1, 2030. These bonds have a first optional redemption date of July 1, 2022. The proceeds of the Series 2012C Bonds have been used (a) to pay the costs of refunding all or a portion of the Series 2005B Bonds, and (b) to pay costs of issuance of the Series 2012C Bonds. The Series 2005B Bonds were issued on April 14, 2005. The Series 2012C Bonds are payable primarily from the Commonwealth Port Fund.	$ 4,795,000
On June 23, 2015, Commonwealth Port Fund Revenue Bonds, Series 2015 (AMT), (the "Series 2015 CPF Bonds") dated the same, were issued in the principal amount of $58,680,000. The bonds are payable in annual principal installments between $6,250,000 and $7,050,000, beginning July 1, 2028 through July 1, 2031 and annual installments between $7,420,000 and $8,590,000 beginning July 1, 2037 with the final installment due July 1, 2040. Semi-annual interest payments commence January 1, 2016 with interest of 5.0% payable semiannually on January 1 and July 1. The Series 2015 CPF Bonds are payable primarily from the Commonwealth Port Fund.	58,680,000
On November 17, 2016, Port Facilities Revenue Refunding Bonds, Series 2016A (Taxable) (the "Series 201A Bonds") dated the same, were issued in the amount of $143,965,000. The bonds are payable in annual principal installments varying from $1,550,000 and $10,300,000 beginning July 1, 2018 with interest of 1.308% to 4.478% payable semiannually beginning January 1, 2017, the final installment due July 1, 2045. These bonds have a first redemption date of July 1, 2026 at 100% of the principal amount for Series 2016A bonds maturing on or after July 1, 2027. The proceeds of the Series 2016A Bonds have been used (a) to pay the costs of refunding a portion of the remaining Series 2010 and Series 2015 Bonds, and (b) to pay costs of issuance of the Series 2016A Bonds. The Series 2016A Bonds are payable from the net revenues of the Authority, and are subordinate in priority to the Amended and Restated Deed of Facilities Lease Agreement dated September 21, 2016, by and between Virginia International Gateway, Inc. and Virginia Port Authority (the VIG lease).	143,965,000

6. LONG-TERM DEBT - continued

Details of Long-Term Indebtedness - continued

Revenue Bonds – concluded	Balance as of June 30, 2017
On November 17, 2016, Port Facilities Revenue Refunding Bonds, Series 2016B (AMT) (the "Series 2016B Bonds") dated the same, were issued in the amount of $99,230,000. The bonds are payable in annual principal installments varying from $1,815,000 and $6,450,000 beginning July 1, 2018 with interest of 5.0% payable semiannually beginning July 1, 2017, the final installment due July 1, 2045. These bonds have a first redemption date of July 1, 2026 at 100% of the principal amount for Series 2016B bonds maturing on or after July 1, 2027. The proceeds of the Series 2016B Bonds have been used (a) to pay the costs of refunding a portion of the remaining Series 2010 Bonds and Series 2015 Bonds, and (b) to pay costs of issuance of the Series 2016B Bonds. The Series 2016B Bonds are payable from the net revenues of the Authority, and are subordinate to the VIG lease.	$ 99,230,000
On November 17, 2016, Port Facilities Revenue Refunding Bonds, Series 2016C (non-taxable) (the "Series 2016C Bonds") dated the same, were issued in the amount of $37,335,000. The bonds are payable in annual principal installments varying from $2,135,000 and $9,840,000 beginning July 1, 2017 with interest of 3.240% 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.	37,335,000
Sub-total revenue bonds	524,300,000
Issuance premium, net	23,664,577
Total revenue bonds	$ 547,964,577

Note payable - dredging

In 2017, a contract for the payment of channel dredging costs totaling $2,158,013 with annual payments of $110,700 for a period of 30 years at an interest rate of 2.87%, to be adjusted every 5 years, was created. Final payment is due in 2047.	$ 2,158,013

6. LONG-TERM DEBT - continued

Details of Long-Term Indebtedness - concluded

	Balance as of June 30, 2017
Compensated Absences	
VPA employees' attendance and leave regulations make provision for the granting of a specified number of days of leave each year. The amount of leave earned but not taken is recorded as a liability on the Statement of Net Position. At June 30, 2017 the amounts reflect all earned "paid time off" and compensatory leave not taken, and the management estimated most probable amount payable under the Authority's legacy leave and sick leave policies, upon termination. The Authority's legacy leave has been calculated using management's most probable estimate of the leave to be used through December 31, 2019, at which time the leave will be capped at the then current hours balance up to the maximum 160 hours payout at termination, at the December 31, 2014 salary rate. The compensated absence liability includes provision for related payroll taxes.	$ 989,541
Capital Lease	
Capital lease liability recorded pursuant to the Amended and Restated Deed of Facilities Lease Agreement by and between Virginia International Gateway, Inc. and Virginia Port Authority, Dated as of September 21, 2016 and commenced effective November 1, 2016. See below for further description of the terms of the agreement.	$ 2,204,492,739
Total long-term indebtedness	$ 2,755,604,870

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, 2017 is as follows:

Revenue Bonds

Year Ending June 30,	Principal	Interest	Total
2018	$ 11,485,000	$ 21,532,317	$ 33,017,317
2019	15,070,000	21,237,828	36,307,828
2020	15,435,000	20,846,144	36,281,144
2021	15,845,000	20,409,739	36,254,739
2022	16,310,000	19,931,344	36,241,344
2023 - 2027	89,775,000	91,111,249	180,886,249
2028 - 2032	108,900,000	72,128,041	181,028,041
2033 - 2037	93,050,000	48,985,833	142,035,833
2038 - 2042	95,780,000	25,680,578	121,460,578
2043 - 2046	62,650,000	6,029,517	68,679,517
Total Revenue Bonds	$ 524,300,000	$ 347,892,590	$ 872,192,590

6. LONG-TERM DEBT - continued

Annual Long-Term Debt Requirements - continued

Note Payable - dredging

Year Ending June 30,	Principal	Interest	Total
2018	$ 91,473	$ 129,927	$ 221,400
2019	47,834	62,866	110,700
2020	49,289	61,411	110,700
2021	50,789	59,911	110,700
2022	52,334	58,366	110,700
2023 - 2027	286,540	266,960	553,500
2028 - 2032	332,858	220,642	553,500
2033 - 2037	386,662	166,838	553,500
2038 - 2042	449,164	104,336	553,500
2043 - 2047	411,070	31,731	442,801
Total Note Payable - Dredging	$ 2,158,013	$ 1,112,988	$ 3,321,001

Capital Lease - VIG

On November 17, 2016, the Virginia Port Authority (VPA) formally commenced an amended and restated deed of facilities lease agreement for the Virginia International Gateway terminal in Portsmouth, Virginia (the VIG lease). The agreement provides for the extension of the termination date of the original lease from June 30, 2030 to December 31, 2065, as well as the expansion of the operable terminal capacity of the facility.

In addition to the extension of the lease term for the existing facility (Phase I), the lessors will finance the development of additional container handling capacity on approximately 60 acres adjacent to Phase I which will increase the annual volume capacity from approximately 650 thousand movements to approximately 1.2 million (Phase II). Phase II development costs to be funded by the lessor are estimated at $321 million, subject to a floor of $288 million, and a cap of $352 million with the ultimate cost to be recovered through the minimum lease payments paid by VPA. The lease also provides for certain assets (consisting principally of container handling equipment) to be transferred to VPA via a bill of sale upon commencement, and other similar assets to be transferred to VPA via bill of sale as acquired during Phase II development (transferred assets). The transferred assets are required to be maintained as security for the lease obligation.

6. LONG-TERM DEBT - continued

Annual Long-Term Debt Requirements - continued

The payment terms of the restated lease consist of an initial annual base rent of $51.7 million, plus $11 million of expansion rent during the first lease year, increasing to $22 million of expansion rent during the second lease year, and finally $33 million during the third lease year and thereafter (e.g. $84.7 million of adjusted annual base rent from year three forward); the amount of additional rent will likely increase or decrease depending on the ultimate Phase II expansion cost funded. During the construction period, the restated lease also provides for an additional $1 million annually of interim construction rent, and after years five and ten of the amended and restated lease, the total annual rent increases by an additional $1 million at each interval.

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

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

6. LONG-TERM DEBT - continued

Annual Long-Term Debt Requirements - continued

Capital Lease Obligation – VIG Lease

Year Ending June 30,	Principal	Interest	Total
2018	$ (29,278,589)	$ 102,667,530	$ 73,388,941
2019	(17,544,955)	103,716,510	86,171,555
2020	(15,173,243)	104,439,436	89,266,193
2021	(14,426,457)	105,120,908	90,694,451
2022	(12,882,716)	105,757,230	92,874,514
2023 - 2027	(46,387,521)	536,232,142	489,844,621
2028 – 2032	(7,038,468)	542,699,499	535,661,031
2033 - 2037	40,621,877	539,285,445	579,907,322
2038 - 2042	104,752,967	523,055,447	627,808,414
2043 - 2047	189,979,785	489,686,414	679,666,199
2048 - 2052	302,161,190	433,646,313	735,807,503
2053 – 2057	448,714,454	347,871,697	796,586,151
2058 - 2062	639,024,840	223,360,353	862,385,193
2063 - 2065	621,969,575	55,938,229	677,907,804
Total Capital Lease	$ 2,204,492,739	$4,213,477,153	$ 6,417,970,892

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 2031.

6. LONG-TERM DEBT - continued

At June 30, 2017, assets recorded pursuant to the VIG capital lease were included in depreciable capital assets as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Leased assets:				
VIG Phase I	$ -	$ 1,285,549,518	$ -	$ 1,285,549,518
VIG Phase II	-	762,018,056	-	762,018,056
VIG ISC Phase II	-	67,570,324	-	67,570,324
	-	2,115,137,898	-	2,115,137,898
Less accumulated depreciation and amortization for:				
VIG Phase I	-	(17,431,179)	-	(17,431,179)
Depreciable capital leased assets, net	$ -	$ 2,097,706,719	$ -	$ 2,097,706,719

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

	Debt	Premium/ Discount	Total Long-Term Debt
Commonwealth Port Fund Bonds	$ 243,770,000	$ 9,439,157	$ 253,209,157
Port Facilities Revenue Bonds	280,530,000	14,225,420	294,755,420
Note payable - dredging	2,158,013	-	2,158,013
Capital Lease Obligation – VIG Lease	2,204,492,739	-	2,204,492,739
	$ 2,730,950,752	$ 23,664,577	2,754,615,329
Compensated Absences			989,541
			$ 2,755,604,870

6. LONG-TERM DEBT – concluded

Blended Component Unit – VIT

On January 1, 2015, VIT converted employees' earned but not used vacation and personal leave balances at December 31, 2014 into a new Legacy Leave Bank. Legacy Leave is available for use as paid time off until December 31, 2019. Balances remaining unused at January 1, 2020 will be frozen to use. Legacy Leave may be paid out upon termination of an employee at the employee's December 31, 2014 wage rate times the lesser of their then current legacy leave balance or 160 hours. Additionally on January 1, 2015, VIT implemented a new Paid Time Off (PTO) policy, providing compensated absences that can be used each calendar year. At the end of each calendar year, any earned but unused PTO in excess of 40 hours will be forfeited. Up to 40 hours of earned but unused PTO at the end of a calendar year may be carried forward for use within the next 6 months. At June 30, any remaining prior year earned but unused PTO will be forfeited. PTO is earned on a quarterly basis but available for use on January 1 of each year. Leave used over and above the earned amounts at termination are to be repaid to VIT. As of June 30, 2017, VIT has recorded a liability of $1,641,049 for compensated absences.

7. DEFEASANCE OF DEBT

Refundings

On November 17, 2016, the Authority issued $143,965,000 (par value) of Port Facilities Revenue Refunding Bonds, Series 2016A (Taxable) to advance refund $57,085,000 in principal amount of the Authority's Port Facilities Revenue Bonds, Series 2010 issued in the original par amounts of $68,630,000; to advance refund $42,435,000 in principal amount of the Authority's Port Facilities Revenue Bonds, Series 2015C issued in the original par amounts of $85,130,000, and to advance refund $14,159,675 in principal and interest amounts of various equipment leases. The net proceeds from the issuance, along with other funds available from the Authority, were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are to be called. At June 30, 2017, $113,679,675 of these defeased bonds were still outstanding.

On November 17, 2016, the Authority issued $99,230,000 (par value) of Port Facilities Revenue Refunding Bonds, Series 2016B (AMT) to advance refund $10,030,000 in principal amount of the Authority's Port Facilities Revenue Bonds, Series 2010 issued in the original par amounts of $68,630,000; to advance refund $42,695,000 in principal amount of the Authority's Port Facilities Revenue Bonds, Series 2015C issued in the original par amounts of $85,130,000 and to advance refund $55,925,000 in principal amount of the Authority's Port Facilities Revenue Bonds, Series 2015B issued in the original par amounts of $56,755,000. The net proceeds from the issuance, along with other funds available from the Authority, were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are to be called. At June 30, 2017, $108,650,000 of these defeased bonds were still outstanding.

7. DEFEASANCE OF DEBT - concluded

Refundings - concluded

On November 17, 2016 the Authority issued $37,335,000 (par value) of Port Facilities Revenue Refunding Bonds, Series 2016C (Non-Taxable) to advance refund $37,335,000 in principal amount of the Authority's Port Facilities Revenue Bonds, Series 2013 issued in the original par amounts of $37,945,000. The net proceeds from the issuance funded the immediate refunding of the 2013 Series in full.

The refundings were undertaken as a condition of the VIG lease. As a result of the refundings, the Authority increased its total debt service requirements by $97,172,938, which resulted in an economic loss (difference between the present value of the debt service payments on the old debt and the new debt) of $29,314,440. The trust account assets and the related liability for the defeased bonds are not reflected in the Authority's financial statements. The reacquisition price of $298,235,744 netted against the book value of the refunded debt resulted in the recognition of a deferred outflow of resources of $24,352,824. At June 30, 2017, $22,943,820 remained as unamortized deferred outflows of resources.

8. COMMITMENTS AND CONTINGENCIES

As of June 30, 2017 the Authority has commitments to construction contracts totaling $542,606,062 of which $227,367,948 has been incurred.

Payments for rent under an operating lease agreement amounted to $791,456 for the year paid by VIT and recorded as a transfer to the Authority for space rental of offices at the World Trade Center.

Expenses for operating lease agreements amounted to $17,429,000 in fiscal year 2017.

As an element of the original operating lease for the VIG facility, certain assets were acquired by VPA with a cost of $13.3 million. The lease agreement required that a commensurate quantity and inflation-adjusted value of similar assets be returned to the lessor upon termination of the lease, for which VPA recorded and carried a commensurate liability. Upon the commencement of the amended and restated lease, all such provisions were combined into the minimum lease payments and the existing liability was de-recognized, resulting in the reflection of a Special Item-Lease Conversion of $13.3 million in the Statement of Revenues, Expenses, and Changes in Net Position.

8. COMMITMENTS AND CONTINGENCIES – continued

Operating Lease commitments in aggregate are as follows:

Year Ending June 30,	Amount
2018	$ 180,000
2019	180,000
2020	180,000
2021	180,000
2022	180,000
Thereafter	6,030,000
Total	$ 6,930,000

Blended Component Unit – VIT Leases

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

Year Ending June 30,	Amount
2018	$ 10,870,221
2019	5,211,812
2020	2,038,904
2021	1,074,088
2022	1,072,196
Thereafter	6,387,289
Total	$ 26,654,510

8. COMMITMENTS AND CONTINGENCIES – continued

Rental expense incurred under all operating leases other than chassis (including less than one year and cancellable) was $2,950,241 for the year ended June 30, 2017. Rental expense incurred is net of rents paid on behalf of the VPA which were recorded as a transfer to the VPA totaling $791,456 for the year ended June 30, 2017.

Hampton Roads Chassis Pool II (HRCP II) is a wholly owned subsidiary of VIT that operates a chassis pool for rental to shipping lines and constituent motor carriers. HRCP II leases chassis under various operating lease agreements. The agreements may be renewed or terminated at the end of each term. HRCP II must maintain and repair chassis delivered to the pool. Rent expense under the operating leases totaled $11,843,952 during the year ended June 30, 2017 and is included in operating expenses.

VIT has various rental and sub-lease agreements ranging from one to three years. Rental and sub-lease income received under these agreements totaled $3,121,352 during the year ended June 30, 2017. Future payments to be received under these agreements are expected to be $2,829,831 in 2018.

Federal Grants

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

Imposed Non Exchange Transaction

The Authority, through a Joint Memorandum of Agreement, received $1.9 million in 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. As of June 30, 2017, $2,046,615 remains in the account.

Lawsuits and Claims

The Authority, from time to time, is a defendant in lawsuits generally incidental to its business. It is management's opinion that the financial position of the Authority will not be materially affected by the ultimate resolution of litigation pending or threatened at June 30, 2017.

8. COMMITMENTS AND CONTINGENCIES – concluded

Blended Component Unit – VIT

VIT is a defendant in various lawsuits generally incidental to its business. It is management's opinion that the financial position of VIT will not be materially affected by the ultimate resolution of litigation pending or threatened at June 30, 2017.

On April 7, 2014, VIT obtained a letter of credit available in the amount of $1,001,300 for workers' compensation claims. It bears interest at prime and is set to expire May 31, 2018. At June 30, 2017, there were no borrowings outstanding.

VIT is also contingently liable for Legacy Leave of $4,221,173 at June 30, 2017 representing amounts employees could use during their period of employment. Legacy Leave is available for use as paid time off until December 31, 2019. Balances remaining unused at January 1, 2020 will be frozen to use.

9. PENSION PLANS

Pensions

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

Employees of the Authority who elected to remain employees of the Commonwealth participate in a defined benefit pension plan administered by the Virginia Retirement System (VRS). For information on the VRS retirement plan, please see the VRS website at http://www.varetire.org/employers/financial-reporting/gasb-resources.asp for pension plan reporting information. The VRS also administers life insurance and health related plans for retired employees. Information relating to these plans is available at the statewide level only in the Commonwealth of Virginia's Comprehensive Annual Financial Report (CAFR). The Commonwealth, not the Authority, has overall responsibility for contributions to these plans. The Authority has elected not to disclose information related to the VRS Plan on the basis of its relative immateriality to VPA taken as a whole. The VRS Net Pension Liability recorded at June 30, 2017 is $651,000 along with a deferred outflow of $51,926.

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.

9. PENSION PLANS - continued

Pensions - continued

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.

VPA Defined Benefit Plan

General Eligibility Rules

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

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

Effective Date:

August 1, 1998; latest amendment effective May 26, 2009.

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 Virginia Retirement System (VRS) are not eligible to participate in this plan.

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

9. PENSION PLANS – continued

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.

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.

9. PENSION PLANS – continued

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.

9. PENSION PLANS – continued

Pre-Retirement Death Benefit: - concluded

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.

Sworn Supplement:

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

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

Integration with VRS Benefits for Sworn Employees:

Sworn employees who receive their basic retirement benefit from VRS and for whom VRS does not provide the normal retirement age, unreduced early retirement benefits and reduced early retirement benefits described for sworn employees under the VPA plan, will receive an additional benefit from the VPA plan. The amount of the benefit is equal to the (1) benefit determined using VPA credited service and the VPA 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.

9. PENSION PLANS – continued

Contributions

As the plan sponsor for the VPA Defined Benefit Plan, the Authority sets a contribution rate annually based on recommendations provided by the plan's Actuary. The Authority elected to contribute 24.4 of base pay in 2017 for employees receiving the basic retirement benefit from the plan. The plan does not specify a minimum funding requirement.

The annual pension cost for the current year was actuarially determined as of June 30, 2016 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 7.0% and 3.5% was used for future annual compensation increases.

Schedules

Members covered by the benefit terms:

Inactive members or beneficiaries currently receiving benefits	76
Inactive members entitled to but not yet receiving benefits	46
Active eligible members	122
	244

Net Pension Liability

VPA's net pension liability at June 30, 2017 was actuarially measured as of June 30, 2016, 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 68	**June 30, 2017**
Total Pension Liability	$ 19,937,509
Plan Fiduciary Net Position	13,551,316
Net Pension Liability	$ 6,386,193
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.97%

9. PENSION PLANS – continued

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2016	$ 20,005,408	$ 10,655,726	$ 9,349,682
Changes for the year:			
Service cost	593,878	-	593,878
Interest	1,414,344	-	1,414,344
Differences between expected and actual experience	(1,058,838)	-	(1,058,838)
Net investment income	-	(53,981)	53,981
Contributions from employer	-	3,847,134	(3,847,134)
Benefit payments	(802,306)	(802,306)	-
Administrative expense	-	(95,257)	95,257
Changes of assumptions	(214,977)	-	(214,977)
Balances at June 30, 2017	$ 19,937,509	$ 13,551,316	$ 6,386,193

Sensitivity of the Net Pension Liability to Changes in the Discount Rate:

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

The following table illustrates the impact of interest rate sensitivity on the Net Pension Liability for fiscal year ended June 30, 2017:

	1% Decrease (6%)	Current Rate (7%)	1% Increase (8%)
Total Pension Liability	$ 23,004,389	$ 19,937,509	$ 17,435,226
Plan Fiduciary Net Position	13,551,316	13,551,316	13,551,316
Net Pension Liability	$ 9,453,073	$ 6,386,193	$ 3,883,910

9. PENSION PLANS – continued

Deferred Outflows/Inflows of Resources Related to Pensions

At June 30, 2017, 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
Difference between actual and expected experience	$ 108,420	$ 986,129
Employer contributions subsequent to measurement date	2,377,935	-
Assumption changes	732,515	173,153
Net difference between expected and actual earnings on pension plan investments	899,214	383,182
Total	$ 4,118,084	$ 1,542,464

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

Scheduled Recognition of Deferred Outflows and Inflows of Resources:

Year Ending June 30,	Increase (Decrease) to Pension Expense
2018	$ 11,948
2019	11,946
2020	157,471
2021	51,015
2022	(34,695)
Total (Deferred Outflows less Deferred Inflows of Resources)	$ 197,685

Deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date in the amount of $2,377,935 will be recognized as a reduction of the net pension liability during the year ending June 30, 2018.

For the year ended June 30, 2017, VPA recognized a pension expense of $1,271,846.

9. PENSION PLANS – continued

Changes in the Net Pension Liability and Related Ratios

Total Pension Liability		
Service Cost	$	593,878
Interest		1,414,344
Assumption Changes		(214,977)
Benefit Payments		(802,306)
Pension Liability Gain		(1,058,838)
Net Change in Total Pension Liability		(67,899)
Total Pension Liability (Beginning of measurement period)		20,005,408
Total Pension Liability (Ending of measurement period)	$	19,937,509
Plan Fiduciary Net Position		
Contributions – Employer	$	3,847,134
Net Investment Income		(53,981)
Benefit Payments, Including Refunds of Member Contributions		(802,306)
Administrative Expense		(95,257)
Net Change in Plan Fiduciary Net Position		2,895,590
Plan Fiduciary Net Position (Beginning)		10,655,726
Plan Fiduciary Net Position (Ending)	$	13,551,316
VPA's Net Pension Liability (Ending)	$	6,386,193
Net Position as a % of Pension Liability		67.97%
Covered-Employee Payroll	$	9,763,381
Net Pension Liability as a % of Payroll		65.41%

9. PENSION PLANS – continued

Contributions

Contractually Required Contribution (CRC)	$	1,377,935
Contributions made in Relation to the CRC		2,377,935
Contribution Deficiency (Excess)		(1,000,000)
Covered-Employee Payroll		9,763,381
Contributions as a % of Payroll		24.36%

Valuation Date: 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.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method Aggregate Level Percent of Payroll.

Asset Valuation Method Fair Value.

General Inflation 1.85%

Salary Increases 3.50%

Investment Rate of Return 7.00%, net of pension plan investment expense, including inflation.

Retirement Age varies by age and service, same as GASB 68.

Mortality rates were based on the RP-2006 Healthy Annuitant/Non Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale MP-2016.

Investment Return

Valuation date	7/1/2009	7/1/2010	7/1/2011	7/1/2012	7/1/2013	7/1/2014	7/1/2015	7/1/2016
Return on assets	(21.9%)	11.7%	21.8%	(0.5%)	13.9%	18.2%	4.6%	(0.4%)

The Schedule of Funding Progress, presented as Required Supplementary Information following the notes to the consolidated financial statements, presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

9. PENSION PLANS – continued

Deferred Compensation Plan

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 Comprehensive Annual Financial Report (CAFR).

The VPA Deferred Compensation Plan covers all employees hired after July 1, 1997, and those employees electing coverage under the Authority's deferred compensation plan. The Matching Savings Plan covers substantially all employees. The Matching Savings Plan requires VPA to match contributions in an amount equal to 50% of the first 6% of the participant's base pay contributed to the plan for employees hired on or before January 28, 2014. VPA's total contribution to the Matching Savings Plan was $117,558 for the year ended June 30, 2017.

On January 28, 2014, the Authority's Board adopted Resolution 14-2 Freezing Pension Plan to New Participants and Establishing Enhanced Defined Contribution Plan for New Employees in order to move toward normalizing the retirement benefits between the Authority and Virginia International Terminals, LLC. Beginning April 1, 2014, employees hired after January 28, 2014 (Enhanced Participants), will be provided an employer contribution of 4% of compensation and are also eligible for a matching contribution of 50% of the first 4% of compensation contributed to the Deferred Compensation Plan. VPA's total contribution to the Virginia Port Authority Defined Contribution Plan for Enhanced Participants for the year ended June 30, 2017 was $227,316 for the Defined Contribution and $86,690 for the Enhanced Participant Employer Matching Contribution.

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 Virginia Port Authority Defined Contribution Plan for VIT Plan Participants for the year ended June 30, 2017 was $67,997.

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.

9. PENSION PLANS - continued

Blended Component Unit – VIT

Plan Description

The Virginia International Terminals, LLC Pension Plan (VITPP) is a single employer, noncontributory defined benefit pension plan administered by VIT. VITPP provides retirement, disability, and death benefits to plan members and beneficiaries. Benefit provisions and obligations are established and may be amended by resolutions of the Board of Commissioners of the Virginia Port Authority. VITPP issues a stand-alone financial report. The most recent report is as of June 30, 2016 and is available upon request from VPA's administrative offices.

Benefits Provided

VITPP provides retirement, disability, and death benefits to plan members and beneficiaries. Normal Retirement benefits are in the form of life annuities based on the Normal Retirement Benefit which is calculated as 1.4% x Final Average Earnings x Credited Service Plus 0.4% x Final Average Excess Earnings x Credited Service (max. 35 years). Final Average Earnings is the highest average of the employee's Benefit Earnings in sixty (60) consecutive months of Credited Service. Final Average Excess Earnings is the excess, if any of Final Average Earnings over Covered Compensation. Covered Compensation is equal to the 35 year average of the Social Security Taxable Base during an employee's working career. Entry into the plan was frozen as of June 30, 2012. Vesting is over seven years of service, ranging from 20% at two years of service, with 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 benefit will be equal to the monthly amount the spouse would have received if the employee had terminated employment just before their death, served to the earliest date on which they could have retired, and died having elected a 50% joint and survivor benefit.

9. PENSION PLANS - continued

Employees covered by the benefit terms as of June 30, 2017:

Inactive employees or beneficiaries currently receiving benefits	242
Inactive employees entitled to but not yet receiving benefits	159
Active eligible employees	266
Total	667

Contributions

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

Members are not required to contribute to the plan. VIT makes an actuarially determined contribution to the plan for all covered employees. VIT's contributions to the pension plan were $1,464,372 and $2,880,000 for the years ended June 30, 2017 and 2016, 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 IRC 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.

PBGC Premiums

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

Plans covered by the PBGC insurance program must file an annual premium filing each year with the PBGC via their online myPAA system within 9½ months after the beginning of the plan year. All plans must pay a basic premium based on the number of participants as of the end of the previous plan year, and plans with unfunded vested benefits must also pay an additional risk-related premium to the PBGC. The premium amount payable is $370,548 calculated for a full year.

9. PENSION PLANS - continued

Net Pension Liability

VIT's net pension liability at June 30, 2017 was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Present Value of Accumulated Plan Benefits

The actuarial present value of accumulated plan benefits as determined by an independent actuary using end of year benefit information as of June 30, 2016 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, 2016 were (a) life expectancy of participants (the RP-2014 Mortality Table Adjusted to 2006 with Generational Projection (Scale MP-2016), (b) retirement age (age 65), (c) investment return (average rate of return of 7%), (d) taxable wage base (2.5%), and (e) salary scale assumption of 3.5%. The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

Asset Valuation Method

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

9. PENSION PLANS - continued

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
Cash and cash equivalents	0.4%	1.9%
Fixed income	36.6%	4.3%
Domestic and international equities	45.0%	9.4%
Real estate	18.0%	7.3%
Other investments	0.0%	5.0%
	100.0%	

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances, June 30, 2016	$ 95,162,661	$ 86,289,947	$ 8,872,714
Changes for the year:			
Service cost	1,104,372	-	1,104,372
Interest	6,538,633	-	6,538,633
Differences between expected and actual experience	(759,936)	-	(759,936)
Contributions – employer	-	1,464,372	(1,464,372)
Changes of assumptions	(1,148,235)	-	(1,148,235)
Net investment income	-	(321,606)	321,606
Benefit payments, including refunds of employee contributions	(4,417,218)	(4,417,218)	-
Net changes	1,317,616	(3,274,452)	4,592,068
Balances, June 30, 2017	$ 96,480,277	$ 83,015,495	$ 13,464,782

9. PENSION PLANS - continued

Sensitivity of the Net Pension Liability to Changes in Discount Rate

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

Discount Rate Sensitivity – Net Pension Liability at End of Period:

	1% Decrease (6%)	Current Rate (7%)	1% Increase (8%)
Total pension liability	$ 107,907,978	$ 96,480,277	$ 86,748,705
Plan fiduciary net position	83,015,495	83,015,495	83,015,495
Net pension liability	$ 24,892,483	$ 13,464,782	$ 3,733,210

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

For the year ended June 30, 2017, VIT recognized a pension expense of $2,743,967.

VIT reported deferred outflows of resources related to pensions from the following sources at June 30, 2017:

Changes of assumptions	$ 1,666,354
Net difference between projected and actual plan investment earnings	7,583,681
Employer contributions subsequent to measurement date	2,427,553
	$ 11,677,588

VIT also reported deferred inflows of resources related to pensions from the following sources at June 30, 2017:

Differences between expected and actual experience	$ 2,838,099
Changes in assumptions	818,282
Net difference between projected and actual plan investment earnings	99,643
	$ 3,756,024

9. PENSION PLANS - concluded

Deferred outflows of resources resulting from employer contributions subsequent to measurement date in the amount of $2,427,553 will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

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

Year	Amount
2018	$ 1,031,105
2019	1,364,638
2020	1,847,915
2021	1,250,353
	$ 5,494,011

The Schedule of Funding Progress, presented as Required Supplementary Information following the notes to the consolidated financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

VIT sponsors noncontributory supplemental plans covering certain key employees. Assets of $2,360,027 as of June 30, 2017 have been allocated for future benefit payments under the provisions of the supplemental plans. The accrued liability was $2,663,829 as of June 30, 2017. The net accrued liability for the supplemental retirement plans was $303,802 at June 30, 2017. Contributions to the plans were $121,000 for the year ended June 30, 2017.

In addition, VIT sponsors a deferred compensation plan and a matching savings plan under Internal Revenue Code Sections 457 and 401(a), respectively, which cover substantially all nonunion employees with 90 days or more of service. The matching savings plan requires VIT to match employee contributions in an amount equal to 50% of the first 3% of the participant's base pay contributed to the deferred compensation plan. VIT's total contribution to the matching savings plan was $650,260 for the year ended June 30, 2017.

10. OTHER POST RETIREMENT EMPLOYEE BENEFITS ("OPEB")

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) 42 VPA employees who were transferred from VIT will, if they retire at age 62 or older with at least 30 years of service, receive a premium subsidy of $500 per month until they reach age 65; and (2) 4 retired VPA employees are being allowed to remain in the VPA health and dental plans until age 65, but must pay the full actuarially determined premium to retain coverage. Based on an evaluation of these limited benefits by VPA's actuary, management has determined the recording of an OPEB liability and further disclosure are not necessary.

Blended Component Unit – VIT

Plan Description

VIT also sponsors a non-pension post-retirement medical insurance benefits plan that covers individuals who are at least 62 years of age with 30 years of service. The significant actuarial assumptions used in the valuations were (a) discount rate for net periodic postretirement benefit cost (4.0%), (b) payroll growth rate (3.5%), (c) rate of increase in medical claims cost at the valuation date (7.5%), (d) period over which accrued actuarial liabilities are amortized (26 years), (e) general inflation rate (2.5%), and (f) actuarial value of assets (fair value).

Funding Policy

The contributions to OPEB are established by and may be amended by VIT. The contributions are typically based on projected pay-as-you-go financing requirements. There are no assets that have been segregated and restricted to provide for retiree medical benefits. GASB Statement No. 45 requires recognition of the current expense of OPEB based on the annual required contribution.

Annual OPEB Cost and Net OPEB Obligation

VIT is required to contribute the annual required contribution (ARC) which represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years on a closed basis. The following table shows the components of the annual OPEB costs for the year, the amounts actually contributed for the year, and the changes in the net OPEB obligation.

10. OTHER POST RETIREMENT EMPLOYEE BENEFITS - continued

Annual OPEB Cost (AOC)		
Annual required contribution (ARC)	$	117,709
Less amortization of net OPEB obligation (NOO)		(53,945)
Plan interest on NOO		52,858
Total AOC	$	116,622
End of Year NOO		
Actual, beginning of year NOO	$	1,321,441
Plus actual AOC		116,622
Less contributions		(273,041)
End of year NOO	$	1,165,022

VIT's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligations are as follows:

Fiscal Year Ended		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
June 30, 2017	$	116,622	234.13%	$	1,165,022
June 30, 2016		468,095	105.44%		1,321,441
June 30, 2015		470,532	99.31%		1,346,914

Funding Status and Funding Progress

As of June 30, 2017, the most recent actuarial date, the plan was unfunded. The actuarial accrued liability for benefits was $1,944,814, and the actuarial value of assets was $-0-. The covered payroll (annual payroll of active employees covered by the plan) was $9,937,757, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 19.57%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made for the future. The Schedule of Funding Progress, presented as Required Supplementary Information following the notes to consolidated financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

10. OTHER POST RETIREMENT EMPLOYEE BENEFITS - concluded

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement benefits: As of January 1, 2016, only employees who are at least 62 years old with 30 years or more of service may continue VIT's health coverage with VIT providing the same options and cost-sharing for retired employees as for active employees for employee-only medical and dental plans with a maximum subsidy of $500 per month until age 65.

Mortality: Life expectancies were based on mortality tables from the RP-2014 Mortality Fully Generational using Projection Scale MP-2015.

Actuarial assumptions also include (a) discount rate for net periodic postretirement benefit cost (4.0%), (b) payroll growth rate (3.5%), (c) rate of increase in medical claims cost at the valuation date (7.5%), (d) period over which accrued actuarial liabilities are amortized (26 years), (e) general inflation rate is (2.5%), and (f) actuarial value of assets are fair value.

11. ACCRUED WORKERS' COMPENSATION COSTS

Blended Component Unit – VIT

Included in accrued workers' compensation costs are a workers' compensation claims component and an accrued Department of Labor assessment component. The workers' compensation claims component consists of VIT's estimate of its continuing liability for injuries which occurred during periods of self-insurance. The balances at June 30, 2017 are classified as follows:

Workers' compensation claims, current	$	148,758
Workers' compensation claims, noncurrent		584,761
Total	$	733,519

11. ACCRUED WORKERS' COMPENSATION COSTS - concluded

The accrued U.S. Department of Labor (DOL) assessment component is VIT's estimate of the present value of its future liability to the Department of Labor for participation in the U.S. Department of Labor's Second Injury Fund. The total liability has been discounted using a rate of 7.0% at June 30, 2017. The undiscounted liability totaled approximately $2,600,000 at June 30, 2017. VIT expects to pay these assessments annually through 2025. The balances at June 30, 2017 are classified as follows:

Accrued U.S. Department of Labor assessment, current	$ 708,878
Accrued U.S. Department of Labor assessment, noncurrent	1,238,306
Total	$ 1,947,184

12. RISK MANAGEMENT AND EMPLOYEE HEALTH CARE PLANS

The Authority is exposed to various risks including, but not limited to, torts; theft; property damage or total loss to its assets; errors and omissions; non-performance of duty; work-related injuries to its employees; and natural disasters. To assist the Authority in identifying, prioritizing and mitigating high exposure risks, the Authority has implemented an Enterprise Risk Management Program this year. In addition, the Authority maintains a robust insurance program to protect its assets, commissioners, officers and employees. To that end, the Authority maintains insurance policies covering general liability; law enforcement liability; and Fiduciary liability through Virginia Association of Counties Group Self-Insurance Risk Pool commonly referred to as "VACORP." For the benefit of the Authority's employees, workers' compensation insurance, both state and federal, are provided by Arch Insurance and Signal Mutual, respectively. Health Insurance is provided to the Authority's employees by Anthem Blue Cross/Blue Shield on a cost-sharing basis.

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

The Authority maintains its own insurance coverage for health (for employees hired on or after July 1, 1997), property, auto, workers' compensation, and international liabilities, as well as an umbrella policy providing excess liability coverage over and above losses not covered in primary policies. The Authority is partially self-insured for employee health coverage. The Authority is responsible for actual claim costs up to $125,000 per individual for calendar year 2016. The aggregate deductible for VIT and VPA combined claims in excess of the $125,000 individual limit was $7,870,047 for calendar year 2017.

12. RISK MANAGEMENT AND EMPLOYEE HEALTH CARE PLANS - concluded

Blended Component Unit – VIT

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

VIT offers health/medical insurance to its employees, and bears some self-insurance risk for claims cost in excess of employee premiums/contributions received. Pursuant to a joint arrangement with the VPA, the entity carries stop loss insurance to mitigate exposure to significant claims. The stop loss policy is on a calendar year basis, with renewals effective each January 1. During the calendar years of 2016 and 2017, the individual claim cost limit (deductible) under the policy for VIT was $125,000. The aggregate deductible for VIT and VPA combined claims in excess of the $125,000 individual limit was $7,870,047 for calendar year 2017 and $7,045,764 for calendar year 2016.

13. RELATED PARTIES

VIT also makes lease payments on behalf of the VPA for various equipment and office space. Total payments on behalf of the VPA for these lease agreements totaled $825,492 for the year ended June 30, 2017.

On August 8, 2014, an Agreement for Shared Services was executed between the VPA and VIT, in an effort to streamline the administration of the Port of Virginia and reduce costs. Services shared include Accounting and Finance, Purchasing, Risk Management, Innovation, and Human Resources. Costs are billed to each entity based on a budgeted allocation with actual true up to expenditures on a quarterly but no less than annual frequency. The shared services agreement became effective on January 1, 2015. For the year ended June 30, 2017, VIT's allocated services were $16,708,153.

From time to time, related parties will extend short-term cash advances. No interest is earned or charged on any advances. At June 30, 2017, there were no related-party advances outstanding between any of the Port Entities.

For the year ended June 30, 2017, VIT and subsidiaries recorded $120,512,239 as operating transfers to VPA pursuant to the Payment Agreement. The calculations are performed as of the end of the applicable month, and payment is made by the 20th of the subsequent month. VIT also collected and remitted to the VPA $9,345,782 in Security Surcharges from VPA customers for the year ended June 30, 2017.

REQUIRED SUPPLEMENTARY INFORMATION
(RSI)
(UNAUDITED)

VIRGINIA PORT AUTHORITY
VPA DEFINED BENEFIT PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS

	Fiscal Year Ended June 30,		
	2015	2016	2017
Contractually Required Contribution	$ 874,897	$ 1,772,010	$ 1,377,935
Contributions made in relation to the Actuarially Determined Contribution	900,882	3,850,943	2,377,935
Contribution Deficiency (excess)	$ (25,985)	$ (2,078,933)	$ (1,000,000)
Covered - Employee Payroll	$ 5,707,279	$ 10,235,375	$ 9,763,381
Contributions as a % of Payroll	15.78%	37.62%	24.36%

Notes to Schedule:

1) Valuation Date:	July 1, 2014	July 1, 2015	July 1, 2016

2) 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.

3) Methods and assumptions used to determine contribution rates:

Actuarial cost method	Aggregate Level of Payroll
Asset valuation method	Fair Value
IRS limit increases	2.5%
Projected salary increases	3.5%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation
Retirement age	Varies by age and service
Mortality rates	Mortality rates were based on the RP-2006 Healthy Annuitant/Non Annuitant Mortality Table for Males or Females, as appropriate, with generational projections for mortality improvements based on Scale MP-2016

4) 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.

VIRGINIA PORT AUTHORITY
VPA DEFINED BENEFIT PENSION PLAN
CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

	Fiscal Year Ended June 30,		
	2015	2016	2017
Total Pension Liability			
Service Cost	$ 387,024	$ 487,324	$ 593,878
Interest	971,904	1,019,065	1,414,344
Changes of Benefit Terms	-	4,876,711	-
Differences Between Expected and Actual Experiences	262,908	(204,569)	(1,058,838)
Changes of Assumptions	-	1,124,233	(214,977)
Benefit Payments	(1,102,947)	(781,017)	(802,306)
Net Change in Total Pension Liability	518,889	6,521,747	(67,899)
Total Pension Liability (Beginning)	12,964,772	13,483,661	20,005,408
Total Pension Liability (Ending)	$ 13,483,661	$ 20,005,408	$ 19,937,509
Plan Fiduciary Net Position			
Contributions-Employer	$ 525,696	$ 900,882	$ 3,847,134
Net Investment Income	1,618,318	467,163	(53,981)
Benefit Payments, Including Refunds of Member Contributions	(1,102,947)	(781,017)	(802,306)
Administrative Expense	(111,083)	(116,756)	(95,257)
Net Change in Plan Fiduciary Net Position	929,985	470,272	2,895,590
Plan Fiduciary Net Position (Beginning)	9,255,469	10,185,454	10,655,726
Plan Fiduciary Net Position (Ending)	$ 10,185,454	$ 10,655,726	$ 13,551,316
Net Pension Liability (Ending)	$ 3,298,207	$ 9,349,682	$ 6,386,193
Net Position as a % of Pension Liability	75.54%	53.26%	67.97%
Covered-Employee Payroll	$ 5,707,279	$ 10,235,375	$ 9,763,381
Net Pension Liability as a % of Payroll	57.79%	91.35%	65.41%

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 68.

2) **Changes in assumptions**: There have been changes to the mortality rates, investment rate of return and projected salary increases

Projected salary increases	3.5%
Investment rate of return	7.0%
Mortality rates	RP-2006 Healthy Annuitant/Non Annuitant Mortality Table for Males or Females, as appropriate, with generational projections for mortality improvements based on Scale MP-2016

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.

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

	Fiscal Year Ended June 30,		
	2015	2016	2017
Actuarially determined contribution	$ 3,072,285	$ 2,745,069	$ 2,277,104
Contributions in relation to the actuarially determined contribution	2,157,789	722,211	1,749,973
Contribution deficiency (excess)	$ 914,496	$ 2,022,858	$ 527,131
Covered-employee payroll	$ 23,660,725	$ 17,885,926	$ 17,178,148
Contributions as a percentage of covered-employee payroll	9.12%	4.04%	10.19%

Notes to Schedule:

1) Valuation date:

	Actuarially determined contribution rates are calculated as of:		
	June 30, 2014	June 30, 2015	June 30, 2016

2) Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal - level percentage of pay
Amortization method	Level of Payroll, Closed
Remaining amortization	30 years
Asset valuation method	Fair Value
Inflation	2.0%
Projected salary increases	3.5%
Interest rate of return	7.0%
Retirement age	65
Mortality	RP2014 mortality table adjusted to 2006 with generational projection (Scale MP-2016)

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 Company 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.

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

	Fiscal Year Ended June 30,		
	2015	2016	2017
Total Pension Liability			
Service cost	$ 1,351,708	$ 1,193,213	$ 1,104,372
Interest	6,876,416	7,024,100	6,538,633
Changes of benefit terms	-	(4,941,352)	-
Changes in assumptions	-	3,429,692	(1,148,235)
Differences between expected and actual experience	(1,829,899)	(3,625,271)	(759,936)
Benefit payments, including refunds of employee contributions	(4,000,317)	(3,269,754)	(4,417,218)
Net change in total pension liability	2,397,908	(189,372)	1,317,616
Total pension liability - beginning	92,954,125	95,352,033	95,162,661
Total pension liability - ending (a)	$ 95,352,033	$ 95,162,661	$ 96,480,277
Plan Fiduciary Net Position			
Contributions - employer	$ 1,860,000	$ 2,880,000	$ 1,464,372
Net investment income	6,207,582	1,971,743	(321,606)
Benefit payments, including refunds of employee contributions	(4,000,317)	(3,269,754)	(4,417,218)
Net change in plan fiduciary net position	4,067,265	1,581,989	(3,274,452)
Plan fiduciary net position - beginning	80,640,693	84,707,958	86,289,947
Plan fiduciary net position - ending (b)	$ 84,707,958	$ 86,289,947	$ 83,015,495
Net pension liability - ending (a) - (b)	$ 10,644,075	$ 8,872,714	$ 13,464,782
Plan fiduciary net position as a percentage of the total pension liability	88.84%	90.68%	86.04%
Covered-employee payroll	$ 23,660,725	$ 17,885,926	$ 17,178,148
Net pension liability as a percentage of covered-employee payroll	44.99%	49.61%	78.38%

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, the Company will present information for those years for which information is available.

VIRGINIA INTERNATIONAL TERMINALS, LLC - BLENDED COMPNENT UNIT
OTHER POST EMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
June 30, 2017	$ -	$ 1,944,814	$ (1,944,814)	0.0%	$ 9,937,757	19.57%
June 30, 2016	-	1,944,814	(1,944,814)	0.0%	9,733,180	19.98%
June 30, 2015	-	2,965,915	(2,965,915)	0.0%	27,063,854	10.96%

VIRGINIA INTERNATIONAL TERMINALS, LLC - BLENDED COMPNENT UNIT
OTHER POST EMPLOYMENT BENEFITS
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2017	$ 117,709	231.96%
2016	467,292	105.44%
2015	467,292	93.31%

STATISTICAL SECTION

STATISTICAL SECTION
(unaudited)

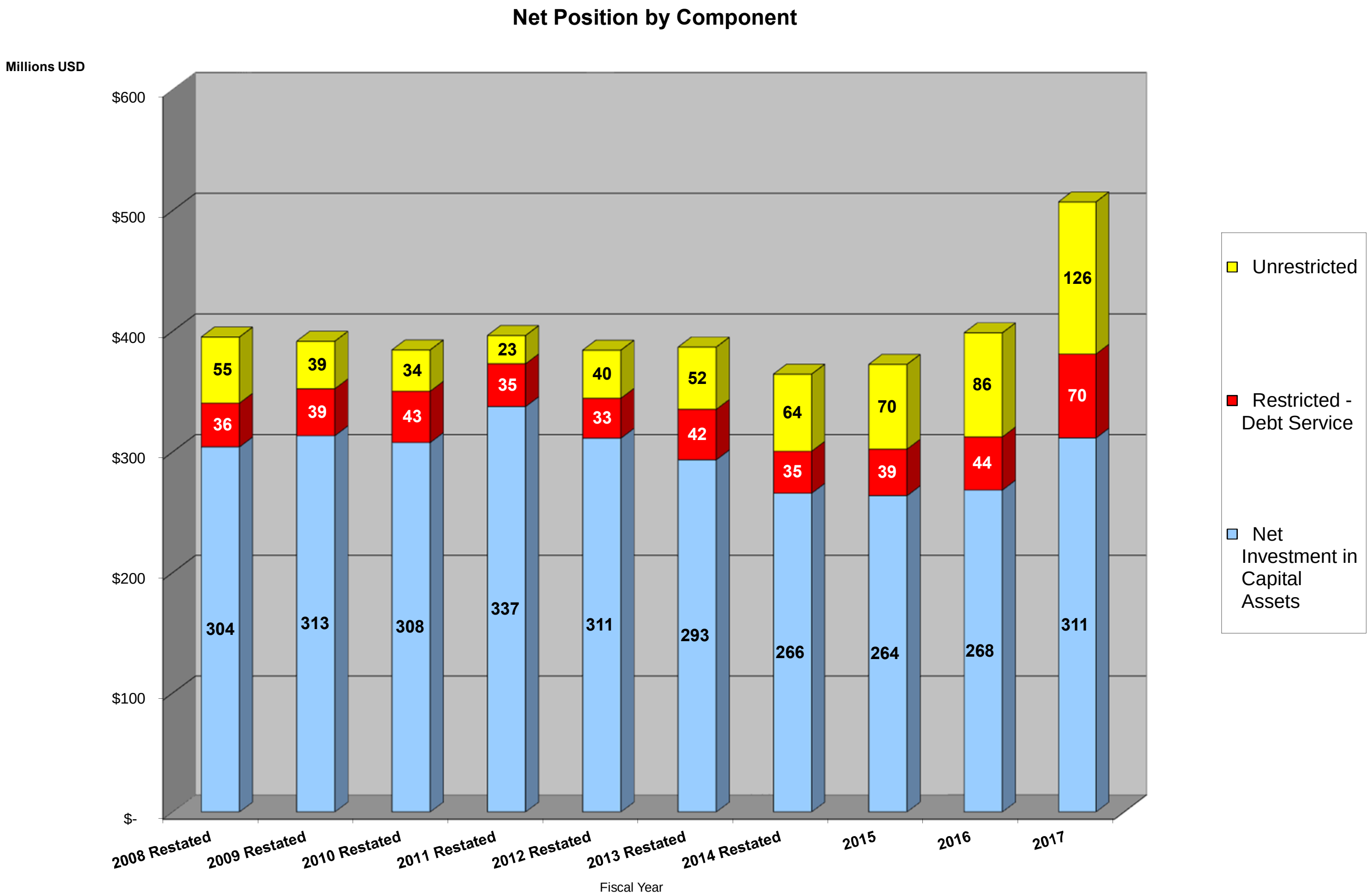
The objective of the statistical section is to provide information about the economic conditions within which the Virginia Port Authority operates to enable the user to more fully understand what the information in the financial statements, notes and supplementary information says about the Authority's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

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

VIRGINIA PORT AUTHORITY
Net Position by Component
Fiscal Years 2008 Through 2017

	Fiscal Year									
	2008 Restated	2009 Restated	2010 Restated	2011 Restated	2012 Restated	2013 Restated	2014 Restated	2015	2016	2017
Net Position:										
Net Investment in Capital Assets	$ 304,071,695	$ 313,361,031	$ 307,728,633	$ 337,480,194	$ 311,346,910	$ 293,397,720	$ 265,717,230	$ 263,651,206	$ 268,348,384	$ 311,479,560
Restricted - Debt Service	36,319,428	38,925,250	42,519,110	35,478,707	33,081,525	41,833,813	34,823,401	38,581,530	44,017,978	69,531,520
Unrestricted	54,757,736	39,384,094	34,215,199	23,416,417	39,831,818	51,568,748	63,855,747	70,270,230	86,251,930	126,102,161
Total Net Position	$ 395,148,859	$ 391,670,375	$ 384,462,942	$ 396,375,318	$ 384,260,253	$ 386,800,281	$ 364,396,378	$ 372,502,966	$ 398,618,292	$ 507,113,241

Net Postion amounts have been restated to reflect the implementation of GASB 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

Statement of Revenues, Expenses and Changes in Net Position

Fiscal Years 2008 Through 2017

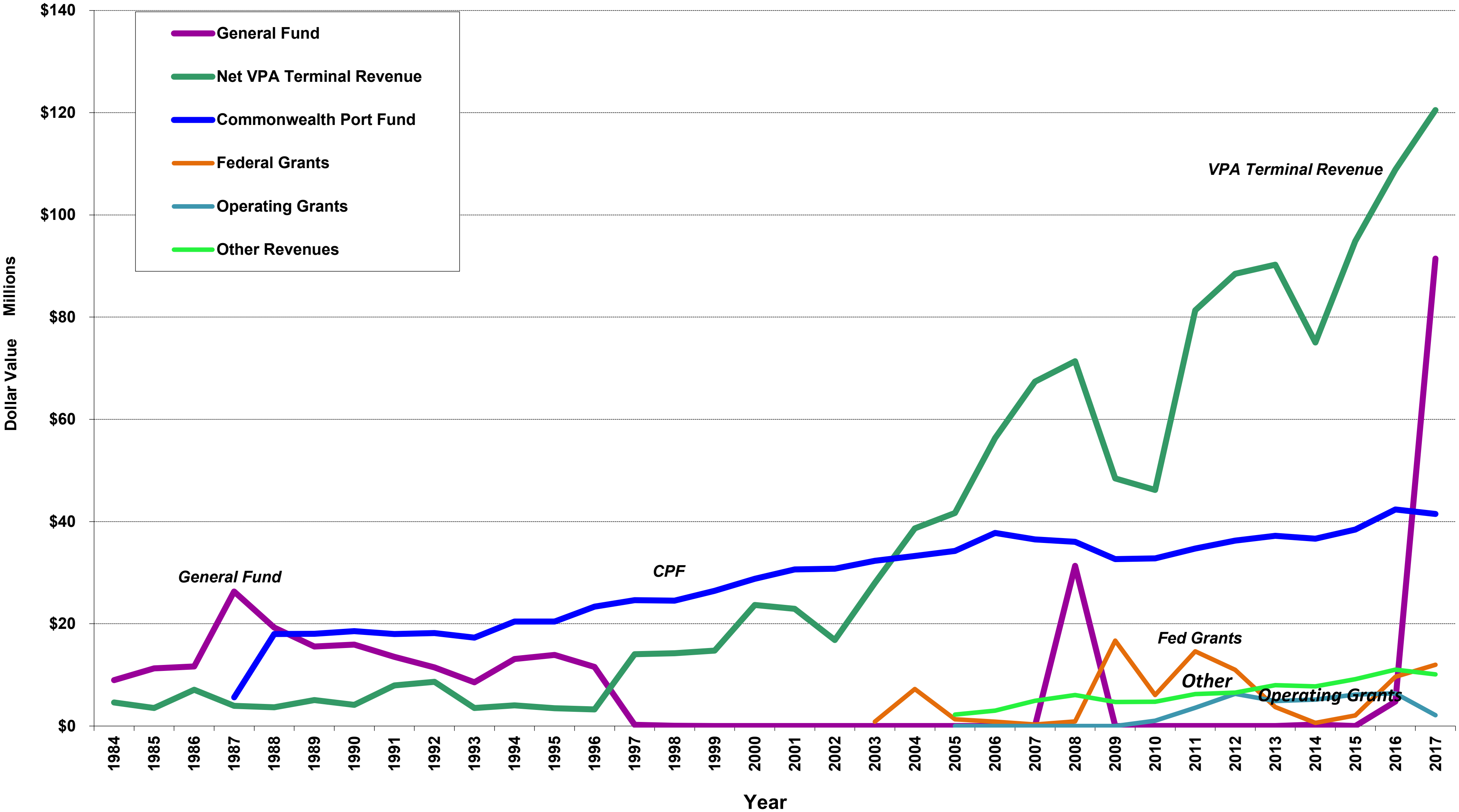
	2008 Restated	2009 Restated	2010 Restated	2011 Restated	2012 Restated	2013 Restated	2014 Restated	2015	2016	2017
Operating Revenues:										
Operating revenues from component unit	$ 71,370,049	$ 48,448,053	$ 46,184,870	$ 81,348,960	$ 88,458,998	$ 90,272,604	$ 75,058,836	$ 94,845,407	$ 108,847,183	$ 120,512,239
Other revenues	6,049,718	4,707,316	1,030,769	3,596,326	6,283,332	7,970,579	5,192,084	9,147,626	9,339,787	10,102,177
Operating revenues - grants	-	-	4,742,848	6,274,000	6,519,292	4,903,439	7,762,729	6,179,493	6,390,908	2,113,617
Total operating revenues	77,419,767	53,155,369	51,958,487	91,219,286	101,261,622	103,146,622	88,013,649	110,172,526	124,577,878	132,728,033
Operating Expenses:										
Terminal operations	1,842,533	1,875,888	1,917,506	1,995,005	2,068,666	2,128,546	1,309,688	1,132,625	1,506,749	1,433,126
Terminal maintenance	4,878,215	6,055,480	6,849,226	7,962,089	10,492,515	8,731,182	8,324,365	8,936,463	9,920,219	7,814,171
General and administrative	23,263,380	20,191,192	19,748,554	22,600,035	22,089,260	18,577,038	26,205,663	19,213,457	20,599,900	17,136,465
Facility rental	-	-	-	29,740,480	37,063,827	47,229,466	52,479,613	55,679,447	55,618,729	17,429,000
Depreciation and amortization	35,283,706	38,905,389	43,961,670	46,135,517	44,840,342	44,095,008	43,084,669	42,653,783	44,018,111	70,124,183
Total operating expenses	65,267,834	67,027,949	72,476,956	108,433,126	116,554,610	120,761,240	131,403,998	127,615,775	131,663,708	113,936,945
Operating income (loss)	12,151,933	(13,872,580)	(20,518,469)	(17,213,840)	(15,292,988)	(17,614,618)	(43,390,349)	(17,443,249)	(7,085,830)	18,791,088
Non-operating revenues (expenses)										
Interest income	4,290,858	1,855,775	578,313	697,221	636,920	482,181	330,581	441,454	652,550	895,675
Interest expense, net of capitalized interest	(16,613,369)	(17,163,304)	(15,687,770)	(18,984,951)	(23,070,737)	(20,531,918)	(16,888,384)	(14,160,492)	(18,160,286)	(88,300,075)
Bond issue costs	(678,876)	(20,000)	(694,650)	(538,986)	(734,427)	(917,063)	(69,000)	(1,024,231)	(489,036)	(2,749,482)
Commonwealth Rail Relocation income (& ARRA)	20,781,163	-	-	2,014,416	6,375,798	244,424	-	-	-	-
Commonwealth Rail Relocation expenses	(22,102,404)	(26,817,021)	(8,223,576)	(2,272,191)	(6,296,498)	(394,990)	(133,770)	-	-	-
Operating Expenses to Component Unit	-	(4,852,551)	-	-	-	-	-	-	-	-
Revenues from federal government	876,048	16,711,588	6,076,191	12,588,643	4,612,432	3,471,137	626,643	740,452	9,653,436	11,988,133
Revenues (expenses) Commonwealth	23,948,420	(155,867)	(105,427)	(261,468)	(297,267)	(158,628)	306,335	1,324,350	(187,951)	84,461,557
Revenues (expenses) other state proceeds, net	-	-	-	-	-	-	-	-	1,690,873	6,990,924
Voluntary non-exchange revenue	-	1,900,000	-	-	-	-	-	-	-	-
Other income (expense)	35,590	38,825	7,787	8,996	8,722	-	-	-	2,744	-
Gain (loss) on disposals	(852,527)	3,793	(2,093,785)	88,879	(15,266,083)	708,585	2,652	-	(1,107,131)	(20,574)
Income (loss) before capital contributions and transfers	21,836,836	(42,371,342)	(40,661,386)	(23,873,281)	(49,324,128)	(34,710,890)	(59,215,292)	(30,121,716)	(15,030,631)	32,057,246
Capital contributions and transfers										
Commonwealth Port Fund allocation	36,036,914	32,663,448	32,784,966	34,717,391	36,252,985	37,223,718	36,652,218	38,418,111	42,366,884	41,469,200
Capital contributions (to) from component unit	662,502	6,229,410	668,987	1,068,266	956,079	27,200	159,171	(189,807)	(287,700)	22,447,458
Payments to federal government - channel dredging	-	-	-	-	-	-	-	-	(5,722,955)	(755,980)
Capital contributions (to) from other state agencies	7,388,750	-	-	-	-	-	-	-	4,789,728	-
Increase (decrease) in Net Position	65,925,002	(3,478,484)	(7,207,433)	11,912,376	(12,115,064)	2,540,028	(22,403,903)	8,106,588	26,115,326	95,217,924
Special Item - Lease Conversion	-	-	-	-	-	-	-	-	-	13,277,025
Increase (decrease) in Net Position After Special Item	65,925,002	(3,478,484)	(7,207,433)	11,912,376	(12,115,064)	2,540,028	(22,403,903)	8,106,588	26,115,326	108,494,949
Net Position - Beginning of Year	329,223,857	395,148,859	391,670,375	384,462,942	396,375,318	384,260,253	386,800,281	364,396,378	372,502,966	398,618,292
Net Position - End of Year	$ 395,148,859	$ 391,670,375	$ 384,462,942	$ 396,375,318	$ 384,260,254	$ 386,800,281	$ 364,396,378	$ 372,502,966	$ 398,618,292	$ 507,113,241

Note this has been reorganized to reflect non operating revenues and expenses as they are currently depicted in the financial statements presented herein.

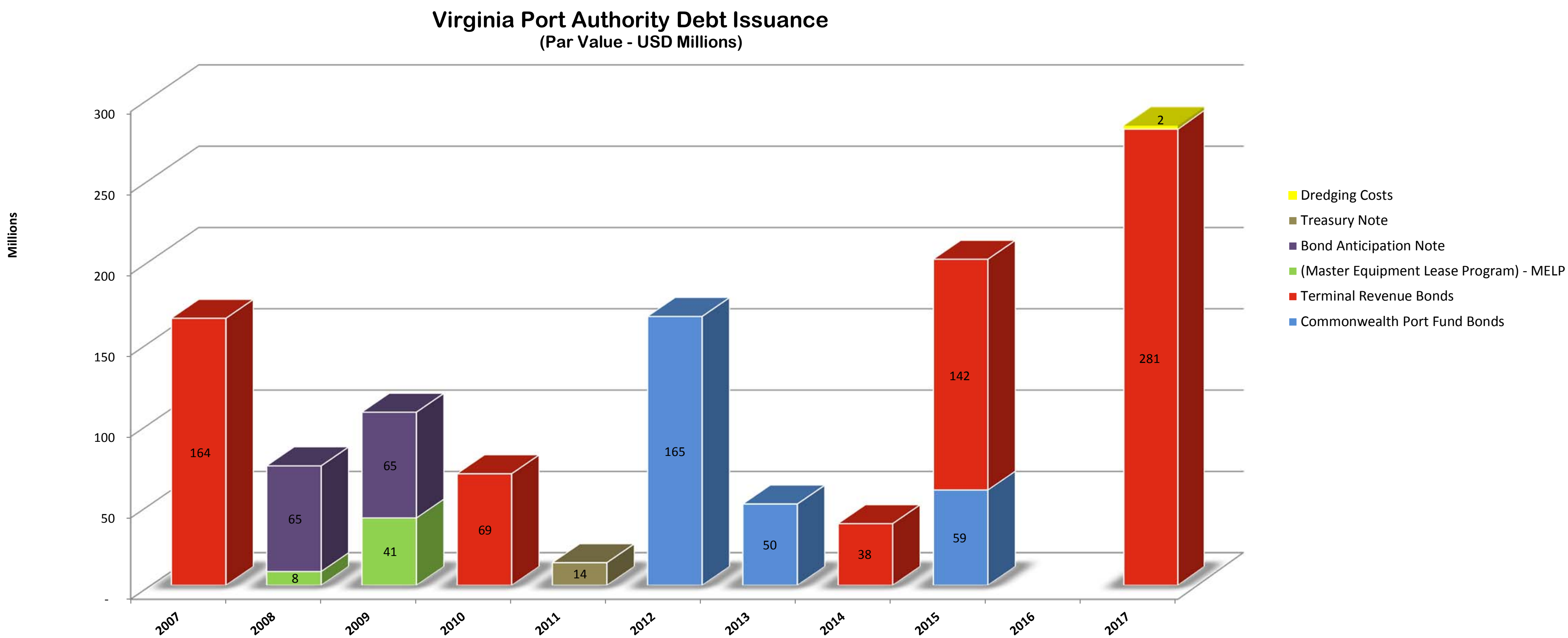
This has also been restated for the implementation of GASB 68 and the affect of the prior period adjustment for capitalized interest (see footnotes FY15 for details)

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

VIRGINIA PORT AUTHORITY - Revenue Comparisons



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



Note: 2017 excludes capital lease

VIRGINIA PORT AUTHORITY
Commonwealth Port Fund (CPF) Revenue Bonds[1]
Debt Service Payment Requirements

Fiscal Year Ending June 30,	Issued 7/27/2011			Issued 1/25/2012			Issued 9/26/2012			Issued 9/26/2012			Issued 6/23/2015			
		Series 2011			**Series 2012**			**Series 2012-B**			**Series 2012-C**			**Series 2015**		**Total Bonds**
	Principal	**Interest**	**Debt Service**	**Principal**	**Interest**	**Debt Service**	**Principal**	**Interest**	**Debt Service**	**Principal**	**Interest**	**Debt Service**	**Principal**	**Interest**	**Debt Service**	**Debt Service**
2018	$ -	$ 2,868,500	$ 2,868,500	$ 6,575,000	$ 2,423,521	$ 8,998,521	$ 2,775,000	$ 1,075,965	$ 3,850,965	$ -	$ 224,150	$ 224,150	$ -	$ 2,934,000	$ 2,934,000	$ 18,876,136
2019	-	2,868,500	2,868,500	6,695,000	2,294,020	8,989,020	2,810,000	1,036,716	3,846,716	-	224,150	224,150	-	2,934,000	2,934,000	18,862,386
2020	-	2,868,500	2,868,500	6,835,000	2,138,591	8,973,591	2,855,000	988,762	3,843,762	-	224,150	224,150	-	2,934,000	2,934,000	18,844,003
2021	-	2,868,500	2,868,500	7,005,000	1,959,731	8,964,731	2,900,000	931,722	3,831,722	-	224,150	224,150	-	2,934,000	2,934,000	18,823,103
2022	-	2,868,500	2,868,500	7,190,000	1,759,489	8,949,489	2,970,000	865,796	3,835,796	-	224,150	224,150	-	2,934,000	2,934,000	18,811,935
2023	-	2,868,500	2,868,500	7,405,000	1,540,848	8,945,848	3,035,000	792,352	3,827,352	-	224,150	224,150	-	2,934,000	2,934,000	18,799,851
2024	-	2,868,500	2,868,500	7,625,000	1,304,419	8,929,419	3,115,000	710,979	3,825,979	-	224,150	224,150	-	2,934,000	2,934,000	18,782,048
2025	-	2,868,500	2,868,500	7,875,000	1,048,963	8,923,963	3,200,000	621,105	3,821,105	-	224,150	224,150	-	2,934,000	2,934,000	18,771,718
2026	-	2,868,500	2,868,500	8,140,000	773,005	8,913,005	3,295,000	521,348	3,816,348	-	224,150	224,150	-	2,934,000	2,934,000	18,756,003
2027	-	2,868,500	2,868,500	8,425,000	477,249	8,902,249	3,400,000	412,695	3,812,695	-	224,150	224,150	-	2,934,000	2,934,000	18,741,594
2028	-	2,868,500	2,868,500	8,730,000	162,378	8,892,378	3,510,000	297,098	3,807,098	-	224,150	224,150	-	2,934,000	2,934,000	18,726,126
2029	2,565,000	2,804,375	5,369,375	-	-	-	3,630,000	172,611	3,802,611	-	224,150	224,150	6,250,000	2,777,750	9,027,750	18,423,886
2030	2,690,000	2,673,000	5,363,000	-	-	-	2,930,000	53,853	2,983,853	780,000	212,450	992,450	6,620,000	2,456,000	9,076,000	18,415,303
2031	2,820,000	2,535,250	5,355,250	-	-	-	-	-	-	4,015,000	100,375	4,115,375	6,780,000	2,121,000	8,901,000	18,371,625
2032	7,245,000	2,283,625	9,528,625	-	-	-	-	-	-	-	-	-	7,050,000	1,775,250	8,825,250	18,353,875
2033	7,610,000	1,912,250	9,522,250	-	-	-	-	-	-	-	-	-	-	1,599,000	1,599,000	11,121,250
2034	7,990,000	1,522,250	9,512,250	-	-	-	-	-	-	-	-	-	-	1,599,000	1,599,000	11,111,250
2035	8,390,000	1,112,750	9,502,750	-	-	-	-	-	-	-	-	-	-	1,599,000	1,599,000	11,101,750
2036	8,810,000	682,750	9,492,750	-	-	-	-	-	-	-	-	-	-	1,599,000	1,599,000	11,091,750
2037	9,250,000	231,250	9,481,250	-	-	-	-	-	-	-	-	-	-	1,599,000	1,599,000	11,080,250
2038	-	-	-	-	-	-	-	-	-	-	-	-	7,420,000	1,413,500	8,833,500	8,833,500
2039	-	-	-	-	-	-	-	-	-	-	-	-	7,790,000	1,033,250	8,823,250	8,823,250
2040	-	-	-	-	-	-	-	-	-	-	-	-	8,180,000	634,000	8,814,000	8,814,000
2041	-	-	-	-	-	-	-	-	-	-	-	-	8,590,000	214,750	8,804,750	8,804,750
	$ 57,370,000	$ 47,311,000	$ 104,681,000	$ 82,500,000	$ 15,882,214	$ 98,382,214	$ 40,425,000	$ 8,481,002	$ 48,906,002	$ 4,795,000	$ 3,002,625	$ 7,797,625	$ 58,680,000	$ 52,694,500	$ 111,374,500	$ 371,141,342
			7/1/2036 Maturity			7/1/2027 Maturity			7/1/2029 Maturity			7/1/2030 Maturity			7/1/2040 Maturity	

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

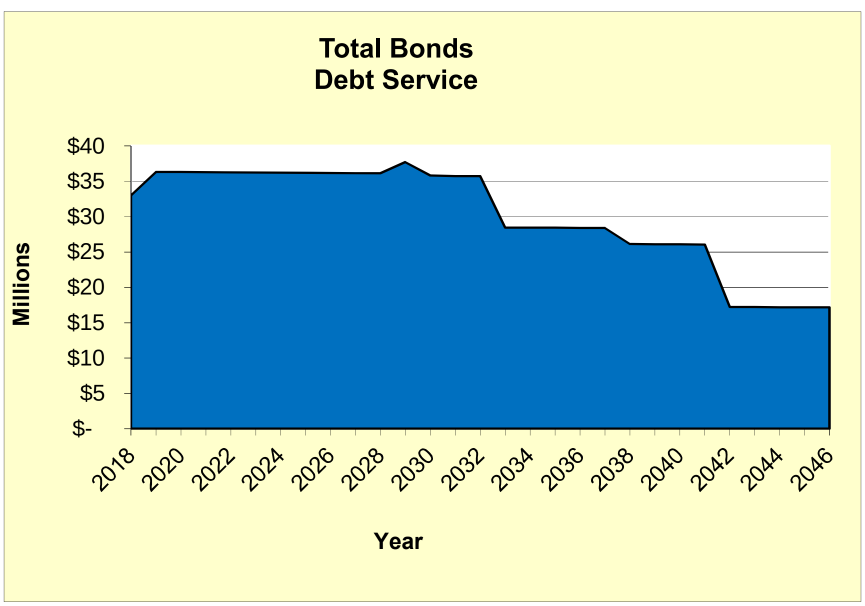
VIRGINIA PORT AUTHORITY
Port Facilities Revenue Bonds[1]
Debt Service Payment Requirements

Fiscal Year Ending June 30,	Series 2016A Bonds			Series 2016B Bonds			Series 2016C Bonds			Total Bonds
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Debt Service
2018	$ -	$ 5,869,614	$ 5,869,614	$ -	$ 4,961,500	$ 4,961,500	$ 2,135,000	$ 1,175,067	$ 3,310,067	$ 14,141,181
2019	1,550,000	5,859,477	7,409,477	1,815,000	4,916,125	6,731,125	2,200,000	1,104,840	3,304,840	17,445,442
2020	1,565,000	5,836,671	7,401,671	1,905,000	4,823,125	6,728,125	2,275,000	1,032,345	3,307,345	17,437,141
2021	1,600,000	5,808,554	7,408,554	2,000,000	4,725,500	6,725,500	2,340,000	957,582	3,297,582	17,431,636
2022	1,630,000	5,775,983	7,405,983	2,105,000	4,622,875	6,727,875	2,415,000	880,551	3,295,551	17,429,409
2023	1,670,000	5,738,687	7,408,687	2,205,000	4,515,125	6,720,125	2,490,000	801,090	3,291,090	17,419,902
2024	1,715,000	5,696,081	7,411,081	2,315,000	4,402,125	6,717,125	2,565,000	719,199	3,284,199	17,412,405
2025	1,765,000	5,649,080	7,414,080	2,430,000	4,283,500	6,713,500	2,645,000	634,797	3,279,797	17,407,377
2026	1,815,000	5,598,339	7,413,339	2,555,000	4,158,875	6,713,875	2,725,000	547,803	3,272,803	17,400,017
2027	1,880,000	5,544,117	7,424,117	2,680,000	4,028,000	6,708,000	2,805,000	458,217	3,263,217	17,395,334
2028	1,930,000	5,485,342	7,415,342	2,815,000	3,890,625	6,705,625	2,900,000	365,796	3,265,796	17,386,763
2029	-	5,454,616	5,454,616	-	3,820,250	3,820,250	9,840,000	159,408	9,999,408	19,274,274
2030	5,305,000	5,361,938	10,666,938	2,955,000	3,746,375	6,701,375	-	-	-	17,368,313
2031	5,490,000	5,170,604	10,660,604	3,105,000	3,594,875	6,699,875	-	-	-	17,360,479
2032	5,685,000	4,966,947	10,651,947	3,260,000	3,435,450	6,695,450	-	-	-	17,347,397
2033	5,895,000	4,737,324	10,632,324	3,425,000	3,268,625	6,693,625	-	-	-	17,325,949
2034	6,145,000	4,482,799	10,627,799	3,595,000	3,093,125	6,688,125	-	-	-	17,315,924
2035	6,405,000	4,217,492	10,622,492	3,775,000	2,908,875	6,683,875	-	-	-	17,306,367
2036	6,675,000	3,940,981	10,615,981	3,965,000	2,715,375	6,680,375	-	-	-	17,296,356
2037	6,960,000	3,652,737	10,612,737	4,160,000	2,512,250	6,672,250	-	-	-	17,284,987
2038	7,255,000	3,343,163	10,598,163	4,365,000	2,299,125	6,664,125	-	-	-	17,262,288
2039	7,580,000	3,011,007	10,591,007	4,585,000	2,075,375	6,660,375	-	-	-	17,251,382
2040	7,920,000	2,663,962	10,583,962	4,815,000	1,840,375	6,655,375	-	-	-	17,239,337
2041	8,270,000	2,301,468	10,571,468	5,060,000	1,593,500	6,653,500	-	-	-	17,224,968
2042	8,640,000	1,922,853	10,562,853	5,310,000	1,334,250	6,644,250	-	-	-	17,207,103
2043	9,030,000	1,527,222	10,557,222	5,575,000	1,062,125	6,637,125	-	-	-	17,194,347
2044	9,435,000	1,113,791	10,548,791	5,855,000	776,375	6,631,375	-	-	-	17,180,166
2045	9,855,000	681,887	10,536,887	6,150,000	476,250	6,626,250	-	-	-	17,163,137
2046	10,300,000	230,617	10,530,617	6,450,000	161,250	6,611,250	-	-	-	17,141,867
	$ 143,965,000	$ 121,643,353	$ 265,608,353	$ 99,230,000	$ 90,041,200	$ 189,271,200	$ 37,335,000	$ 8,836,695	$ 46,171,695	$ 501,051,248

[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 Bonds Debt Service	Port Facilities Revenue Bonds Debt Service	Total Bonds Debt Service
2018	$ 18,876,136	$ 14,141,181	$ 33,017,317
2019	18,862,386	17,445,442	36,307,828
2020	18,844,003	17,437,141	36,281,144
2021	18,823,103	17,431,636	36,254,739
2022	18,811,935	17,429,409	36,241,344
2023	18,799,851	17,419,902	36,219,753
2024	18,782,048	17,412,405	36,194,453
2025	18,771,718	17,407,377	36,179,095
2026	18,756,003	17,400,017	36,156,020
2027	18,741,594	17,395,334	36,136,928
2028	18,726,126	17,386,763	36,112,889
2029	18,423,886	19,274,274	37,698,160
2030	18,415,303	17,368,313	35,783,616
2031	18,371,625	17,360,479	35,732,104
2032	18,353,875	17,347,397	35,701,272
2033	11,121,250	17,325,949	28,447,199
2034	11,111,250	17,315,924	28,427,174
2035	11,101,750	17,306,367	28,408,117
2036	11,091,750	17,296,356	28,388,106
2037	11,080,250	17,284,987	28,365,237
2038	8,833,500	17,262,288	26,095,788
2039	8,823,250	17,251,382	26,074,632
2040	8,814,000	17,239,337	26,053,337
2041	8,804,750	17,224,968	26,029,718
2042	-	17,207,103	17,207,103
2043	-	17,194,347	17,194,347
2044	-	17,180,166	17,180,166
2045	-	17,163,137	17,163,137
2046	-	17,141,867	17,141,867
	$ 371,141,342	$ 501,051,248	$ 872,192,590



Virginia Port Authority
Ratio of Outstanding Debt (1) to Combined Operating Revenues
Last Ten Fiscal Years

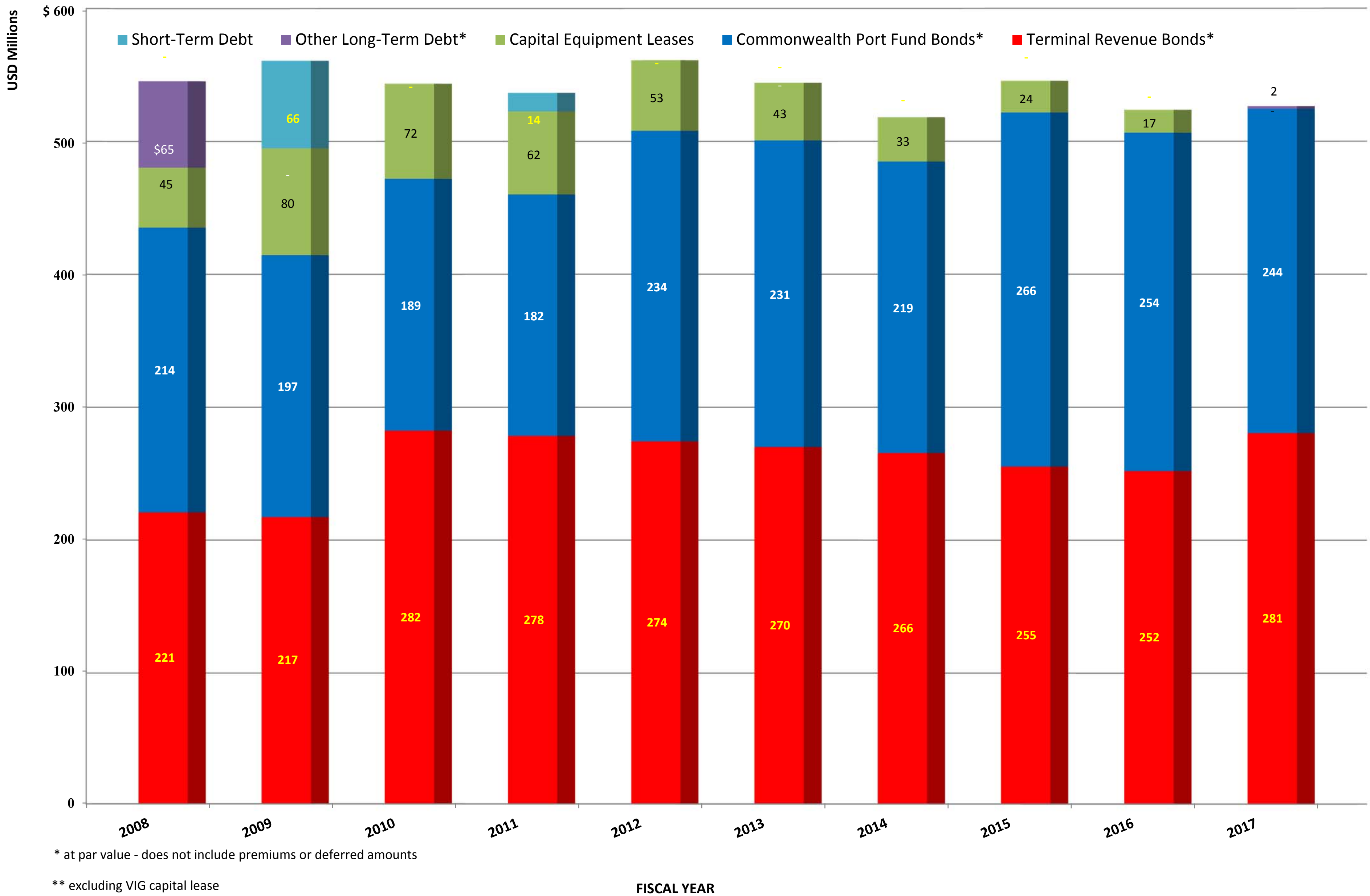
Fiscal Year Ended June 30,	Terminal Revenue Bonds*	Commonwealth Port Fund Bonds*	Capital Equipment Leases	Other Long-Term Debt*	Short-Term Debt	Total	Ratio- Total Debt to Operating Revenues	Total Business-Type Activities Operating Revenues
2008	$ 220,890,000	$ 214,220,000	$ 45,169,903	$ 65,000,000	$ -	$ 545,279,903	2.10	$ 260,185,530
2009	217,365,000	196,995,000	80,375,357	-	65,941,850	560,677,207	2.69	208,617,243
2010	282,295,000	189,490,000	71,556,396	-	-	543,341,396	2.60	209,258,671
2011	278,420,000	181,605,000	62,494,187	-	13,911,029	536,430,216	1.86	287,727,117
2012	274,360,000	233,540,000	53,121,562	-	-	561,021,562	1.81	310,638,273
2013	270,110,000	230,505,000	43,427,551	-	-	544,042,551	1.54	352,280,131
2014	265,515,000	219,230,000	33,290,174	-	-	518,035,174	1.31	396,668,961
2015	255,360,000	266,280,000	23,790,847	-	-	545,430,847	1.20	456,168,985
2016	251,995,000	254,350,000	17,292,101	-	-	523,637,101	1.15	454,818,531
2017	280,530,000	243,770,000	-	2,158,013		526,458,013	1.07	490,834,668

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

(1) The above table considers debt in the context of borrowed funds to financial capital needs. Accordingly, the table excludes the amended and restated lease with Virginia International Gateway, Inc.

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

Virginia Port Authority
Outstanding Debt by Type

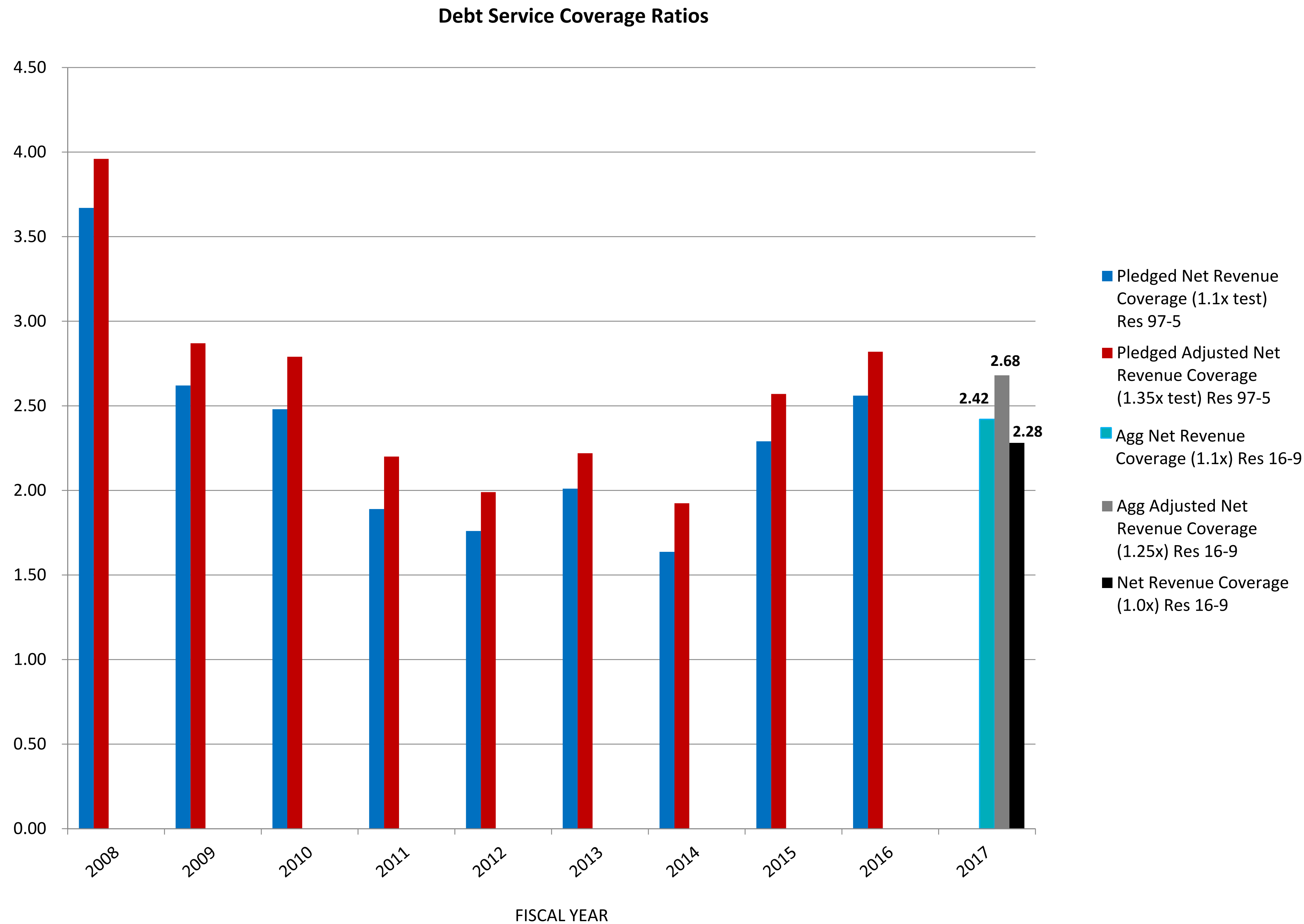


* at par value - does not include premiums or deferred amounts

** excluding VIG capital lease

OPERATING RESULTS AND DEBT SERVICE COVERAGE 97-5
CASH BASIS
For the Fiscal Years 2008-2016

	FY 2008	FY 2009	FY 2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
Virginia International Terminals									
VIT Gross Receipts (plus Interest)	$ 255,622,375	$ 213,953,605	$ 193,786,201	$ 262,193,694	$ 285,172,289	$ 319,328,898	$ 312,014,454	$ 356,486,579	$ 420,225,842
VIT Current Expenses	(185,366,708)	(157,368,268)	(147,306,627)	(178,543,458)	(197,617,574)	(222,110,006)	(223,495,865)	(258,033,599)	(304,119,912)
VIT Current Expense (CE) Reserve (Deposit)/Withdrawal	-	-	2,200,000	(900,000)	1,562,000	-	2,595,997	3,450,564	(4,652,679)
VIT Deposits to CEMA	(2,079,126)	(7,781,079)	(1,815,981)	(3,842,153)	(4,701,389)	(4,635,516)	(9,243,097)	(7,215,154)	(8,689,854)
Capital Asset Proceeds	-	-	-	-	385,738	(768,363)	(733,364)	(673,155)	(335,823)
VIT Net Revenue	68,176,541	48,804,258	46,863,593	78,908,083	84,801,064	91,815,013	81,138,125	94,015,235	102,427,574
Virginia Port Authority									
VPA Gross Revenues									
VIT Net Revenue	68,176,541	48,804,258	46,863,593	78,908,083	84,801,064	91,815,013	81,138,125	94,015,235	102,427,574
Other Income	6,520,593	4,825,652	9,430,005	6,126,614	6,357,859	8,881,695	6,924,491	7,990,753	25,310,365
Interest Income	796,621	134,182	44,490	73,737	28,359	98,956	9,066	140,228	5,998
Total VPA Gross Revenues	75,493,755	53,764,092	56,338,088	85,108,434	91,187,282	100,795,664	88,071,682	102,146,215	127,743,937
VPA Current Expenses	(27,754,385)	(25,071,082)	(22,977,885)	(55,359,088)	(65,269,973)	(70,046,960)	(72,577,974)	(78,801,935)	(93,003,181)
VPA Net Revenues	47,739,370	28,693,010	33,360,203	29,749,346	25,917,309	30,748,703	15,493,708	23,344,281	34,740,756
VPA CPF for O & M	3,967,632	3,453,823	4,440,626	5,604,072	4,032,026	3,704,328	4,337,882	3,764,820	4,408,734
Debt Service Coverage									
Port Facilities Revenue Bonds Net Debt Service	13,568,697	13,906,715	14,174,477	17,780,512	17,389,491	17,571,928	15,113,582	13,332,637	16,984,789
Pledged Net Revenues	49,818,497	36,474,089	35,176,184	33,591,499	30,618,698	35,384,219	24,736,804	30,559,435	43,430,610
Pledged Adjusted Net Revenues	53,786,130	39,927,912	39,616,810	39,195,571	34,650,724	39,088,546	29,074,686	34,324,255	47,839,344
Pledged Net Revenue Coverage (1.1x test)	3.67	2.62	2.48	1.89	1.76	2.01	1.64	2.29	2.56
Pledged Adjusted Net Revenue Coverage (1.35x test)	3.96	2.87	2.79	2.20	1.99	2.22	1.92	2.57	2.82



Note: Fiscal Year 2017 converted from Resolution 97-5 to Resolution 16-9

VIRGINIA PORT AUTHORITY AND VIT CONSOLIDATED OPERATING RESULTS AND DEBT SERVICE COVERAGE – Resolution 16-9*

Virginia International Terminals/ HRCP II Consolidated	*FY2017*
VIT/HRCP II Gross Revenues	$ 484,493,992
VIT/HRCP II Current Expenses	(350,770,652)
VIT Liquidity Reserve (Deposit)/Withdrawal	(2,542,503)
One Time Cash Transfers HRCP II[1]	5,826,628
VIT CEMA Liquidation[1]	16,061,215
VIT/HRCP II Port Operator Capital Expenditures	(7,579,357)
VIT/HRCP II Payment (per Payment Agreement to VPA)	**145,489,323**
Virginia Port Authority	
VPA Gross Revenues	
VIT/HRCP II Payment per Payment Agreement	145,489,323
Other VPA Income and Interest Income	10,036,848
Total VPA Gross Revenues	**155,526,171**
VPA Current Expenses	**(43,916,514)**
Liquidity Reserve Requirement Restoration Amount	**-**
VPA Net Revenue (B)	**111,609,657**
VPA Commonwealth Port Fund used for O & M **(P)**	7,657,417
VPA Commonwealth Port Fund used for VIG Rent **(Q)**	5,831,000
25% of Revenue Stabilization Fund Balance **(D)**	**7,270,527**
Aggregate Net Revenue **(E)** (E= B + D - A)	126,459,541
Adjusted Net Revenue **(F)** (F = B + P + Q)	125,098,074
Aggregate Adjusted Net Revenue **(G)** (G = F + D - A)	139,947,958
Aggregate Principal & Interest Requirements (C)	**$ 52,191,893**

1 - One time Resolution 97-5 to Resolution 16-9 conversion item

Debt Service Coverage*	Actual 2017
Aggregate Net Revenue Coverage (E/C > 1.1x)	**2.42**
Aggregate Adjusted Net Revenue Coverage (G/C > 1.25x)	**2.68**
Net Revenue Coverage ((B-A)/C > 1.0x)	**2.28**

*This data and chart will be expanded to cover 10 years as the data becomes available

THE PORT OF VIRGINIA® | THE PORT BY NUMBERS

THE PORT OF VIRGINIA ADMINISTERS

FOREIGN TRADE ZONE 20

FTZ 20

VIRGINIA INLAND PORT catalyzed the development of **39 COMPANIES** in and around Front Royal, VA

$1M

THE PORT DISPERSES $1 MILLION ANNUALLY TO AID regional ports and maritime projects

$6.2 MILLION AVAILABLE IN **PORT INCENTIVES** EACH YEAR

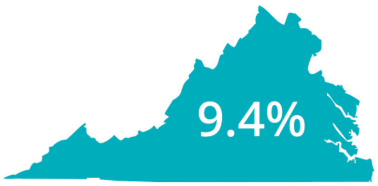
50′/15.24m channels and berths with **Congressional authorization** for 55′ deep/16.76m channels

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

38%

38 percent reduction in air emissions since 1999

FAST FACTS



374,000 jobs which is 9.4% of the state's resident workforce, work **port-related jobs**

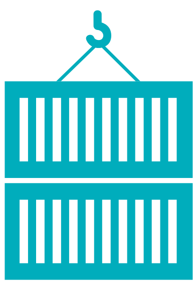
Located within a **1-day drive** of 2/3 of the nation's population

Fully authorized and permitted for future marine terminal expansion

18 nautical miles to open sea and no aerial obstructions

Transit time from Hong Kong
26 Days via Panama Canal
27 Days via Suez Canal

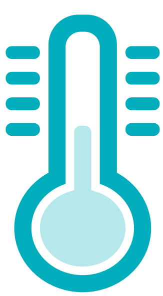
The Port of Virginia is the grantee of **Foreign Trade Zone 20**, one of six FTZs in Virginia



2 Class I railroads operating on-dock (NS + CSX) provide **two-day double-stack rail** to and from Midwest markets

Virginia is the **second largest agricultural exporter** on the U.S. East Coast

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



The port has **1,291 refrigerated container slots** and numerous off-dock cold storage providers

16 Midwest and Southeast inland points served by rail

Nearly **30 international shipping lines** offer direct access to more than 80 ports

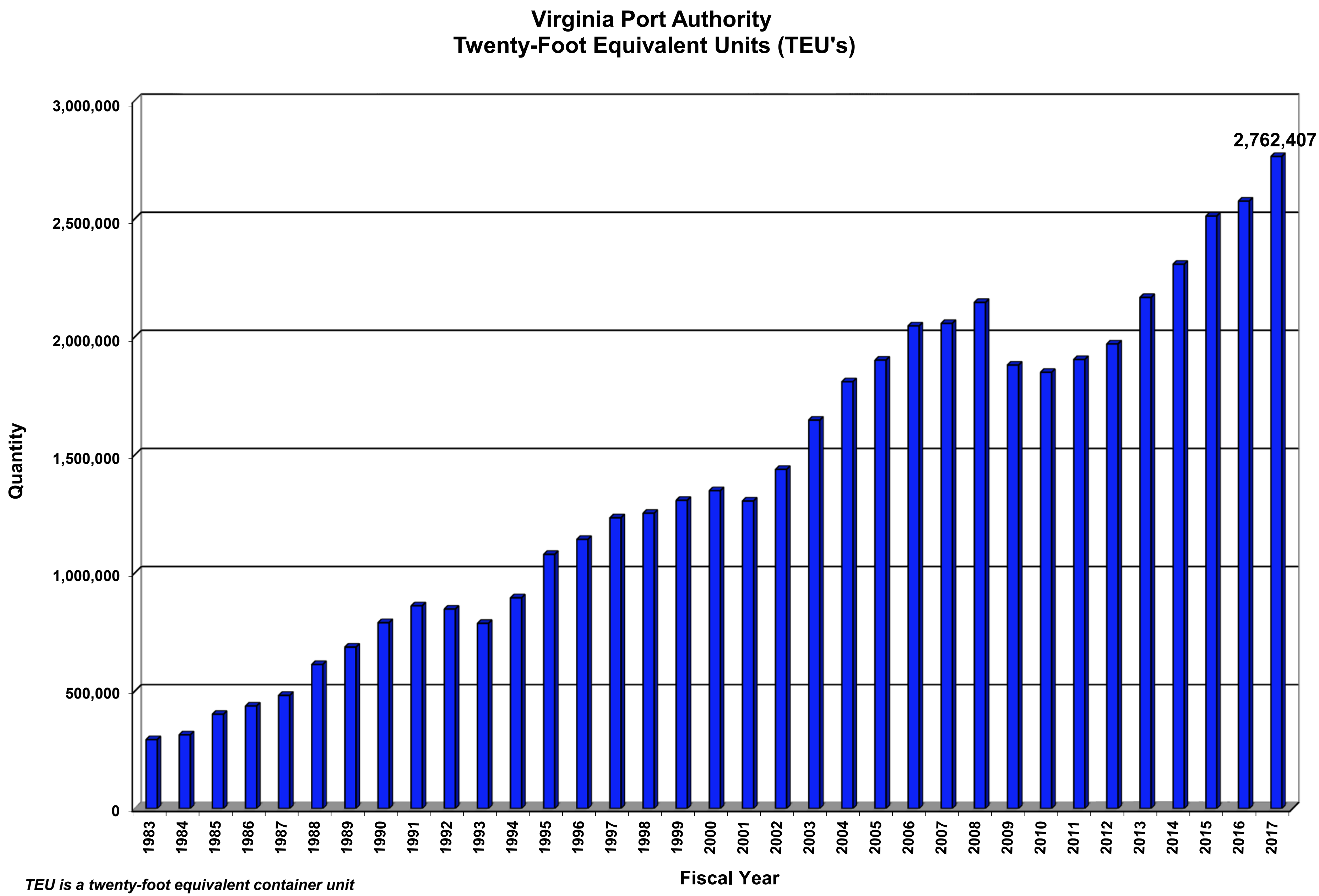
Demographic and Economic Information –these schedules give economic information regarding the environment in which the Authority operates.

THE MID-ATLANTIC GLOBAL GATEWAY

THE PORT OF VIRGINIA

600 World Trade Center, Norfolk, VA 23510

757.683.8000 | portofvirginia.com | info@portofvirginia.com



TEU is a twenty-foot equivalent container unit

Hampton Roads Harbor

2016 Trade Overview

TOTAL	Short Tons (Thousands)	Metric Tons (Thousands)
Total Cargo	50,313.70	45,643.88
General Cargo	20,869.31	18,932.33
Container Cargo	20,664.89	18,746.88
Breakbulk Cargo*	204.42	185.45
Container Units	1,503,886	
TEUs	2,655,705	
Total Cargo Dollar Value (Millions)	$ 69,991.93	

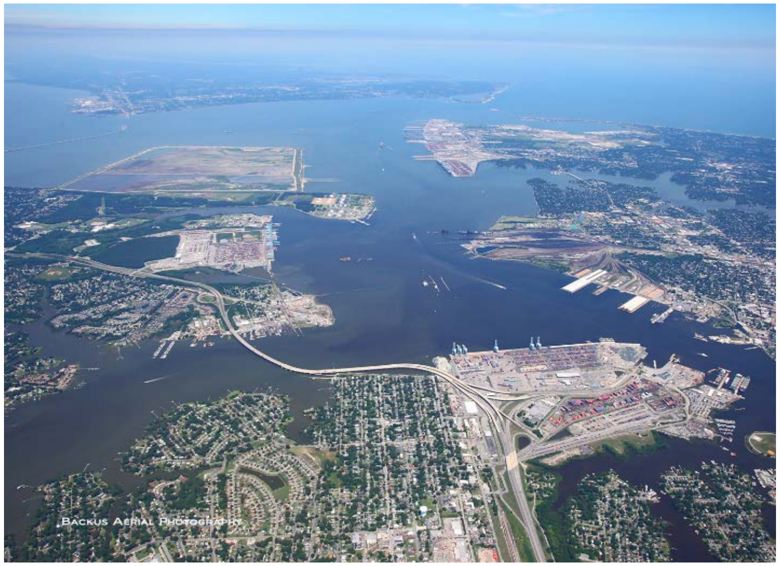
EXPORT	Short Tons (Thousands)	Metric Tons (Thousands)
Total Cargo	38,661.73	35,073.37
General Cargo	10,874.99	9,865.62
Container Cargo	10,848.47	9,841.57
Breakbulk Cargo	26.51	24.05
Container Units	805,903	
TEUs	1,428,962	
Total Cargo Dollar Value (Millions)	$ 25,846.79	

IMPORT	Short Tons (Thousands)	Metric Tons (Thousands)
Total Cargo	11,651.98	10,570.51
General Cargo	9,973.60	9,047.90
Container Cargo	9,816.41	8,905.30
Breakbulk Cargo	157.19	142.60
Container Units	697,983	
TEUs	1,226,744	
Total Cargo Dollar Value (Millions)	$ 44,145.13	

Vessel Calls	2,549
Coal Loadings* Short Tons (Thousands)	22,024.16

*Coal loadings and breakbulk cargo include international and domestic shipments

US East Coast Port	TEUs	East Coast Market Share
New York/New Jersey	6,251,953	31.7%
Savannah	3,644,521	18.5%
The Port of Virginia	2,655,706	13.5%
Charleston	1,996,282	10.1%
Port Everglades	1,058,687	5.4%
Miami	1,030,758	5.2%
Jacksonville	981,347	5.0%
Baltimore	869,485	4.4%
Philadelphia	459,701	2.3%
Wilmington (NC)	260,493	1.3%



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

2016 Total Cargo in Thousands of Short Tons

Top 10 Trading Partners

	Exports			Imports	
1	Brazil	5,573.04	1	China	2,516.26
2	China	3,626.52	2	Germany	952.01
3	Netherlands	3,147.06	3	Brazil	726.61
4	United Kingdom	2,514.40	4	India	709.97
5	India	2,019.87	5	Italy	518.08
6	Italy	1,878.41	6	Turkey	415.64
7	Korea, South	1,570.64	7	France	399.31
8	Japan	1,417.16	8	Vietnam	354.88
9	Turkey	1,341.99	9	Spain	312.58
10	Ukraine	1,321.12	10	Netherlands	260.56

Top 10 Commodities

	Exports			Imports	
1	Mineral Fuel, Oil Etc	23,594.99	1	Nuclear Reactors, Boilers, Machinery	905.67
2	Misc Grain,Seed,Fruit	2,798.02	2	Salt; Sulfur; Earth, Stone	873.71
3	Wood	2,767.25	3	Furniture And Bedding	762.57
4	Woodpulp, Etc.	1,787.57	4	Beverages, Spirits and Vinegar	635.87
5	Food Waste; Animal Feed	1,590.61	5	Vehicles, Not Railway	599.77
6	Plastics	638.63	6	Plastics	587.82
7	Cereals	538.09	7	Stone, Plaster, Cement	448.17
8	Paper and Paperboard	433.04	8	Mineral Fuel, Oil Etc	421.95
9	Fertilizers	394.20	9	Electrical Machinery	407.38
10	Organic Chemicals	351.05	10	Iron and Steel	398.11

Trade Lanes

	Export	Import
Africa	1,923.49	225.51
Asia, Northeast	9,490.28	2,982.25
Asia, Southeast	2,784.47	984.40
Carribbean	292.16	187.27
Central America	184.42	91.45
Europe, North	13,195.46	3,091.45
India & Others	2,873.09	794.41
Mediterranean	5,687.14	1,578.53
Middle East	662.84	189.80
North America	725.80	194.22
Oceania	30.32	41.61
South America	39,473.98	1,291.06

Top U.S. Ports

1	Houston, TX	169,971.35
2	New Orleans, LA	122,037.38
3	Los Angeles, CA	77,976.02
4	Gramercy, LA	64,539.49
5	Newark, NJ	63,801.89
6	Port Arthur, TX	51,571.07
7	The Port of Virginia	50,703.69
8	Corpus Christi, TX	50,313.70
9	Long Beach, CA	45,341.44
10	Mobile, AL	35,227.52

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

THE PORT OF VIRGINIA

2016 Total Cargo in Thousands of Metric Tons

Top 10 Trading Partners

	Exports			Imports	
1	Brazil	5,055.78	1	China	2,282.71
2	China	3,289.92	2	Germany	863.65
3	Netherlands	2,854.96	3	Brazil	659.17
4	United Kingdom	2,281.03	4	India	644.08
5	India	1,832.40	5	Italy	470.00
6	Italy	1,704.06	6	Turkey	377.06
7	Korea, South	1,424.86	7	France	362.25
8	Japan	1,285.62	8	Vietnam	321.94
9	Turkey	1,217.43	9	Spain	283.56
10	Ukraine	1,198.50	10	Netherlands	236.37

Top 10 Commodities

	Exports			Imports	
1	Mineral Fuel, Oil Etc	21,405.04	1	Nuclear Reactors, Boilers, Machinery	821.61
2	Misc Grain,Seed,Fruit	2,538.32	2	Salt; Sulfur; Earth, Stone	792.61
3	Wood	2,510.41	3	Furniture And Bedding	691.79
4	Woodpulp, Etc.	1,621.66	4	Plastics	576.85
5	Food Waste; Animal Feed	1,442.98	5	Mineral Fuel, Oil Etc	544.10
6	Plastics	579.35	6	Beverages, Spirits and Vinegar	533.26
7	Cereals	488.15	7	Vehicles, Not Railway	406.57
8	Paper and Paperboard	392.85	8	Electrical Machinery	382.79
9	Fertilizers	357.61	9	Iron and Steel	369.57
10	Organic Chemicals	318.47	10	Wood	361.16

Trade Lanes

	Export	Import
Africa	1,744.96	204.58
Asia, Northeast	8,609.45	2,705.45
Asia, Southeast	2,526.03	893.03
Carribbean	265.04	169.89
Central AM	167.30	82.96
Europe, North	11,970.73	2,804.52
India & Others	2,606.43	720.68
Mediterranean	5,159.30	1,432.02
Middle East	601.32	172.19
North America	658.43	176.19
Oceania	27.51	37.75
South America	35,810.24	1,171.23

Top U.S. Ports

1	Houston, TX	154,195.60
2	New Orleans, LA	110,710.58
3	Los Angeles, CA	70,738.74
4	Gramercy, LA	58,549.31
5	Newark, NJ	57,880.17
6	Port Arthur, TX	46,784.55
7	Corpus Christi, TX	45,997.67
8	The Port of Virginia	45,643.88
9	Long Beach, CA	41,133.11
10	Savannah, GA	31,957.91

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

2016 Total Cargo in Millions of U.S. Dollars

Top 10 Trading Partners

	Exports			Imports	
1	China	2,525.83	1	China	10,878.26
2	Belgium	2,038.44	2	Germany	5,027.17
3	Germany	1,660.38	3	India	2,728.76
4	United Kingdom	1,586.52	4	Italy	2,221.87
5	Netherlands	1,549.37	5	Japan	1,911.15
6	Japan	1,038.53	6	United Kingdom	1,589.39
7	Brazil	1,012.49	7	Brazil	1,478.28
8	Saudi Arabia	946.52	8	France	1,450.56
9	India	883.87	9	Vietnam	1,432.81
10	Austria	789.44	10	Malaysia	1,364.35

Top 10 Commodities

	Exports			Imports	
1	Nuclear Reactors, Boilers, Machinery	3,733.93	1	Nuclear Reactors, Boilers, Machinery	9,402.58
2	Plastics	1,926.24	2	Electrical Machinery	3,476.85
3	Pharmaceutical Products	1,904.93	3	Vehicles, Not Railway	2,570.38
4	Vehicles, Not Railway	1,169.21	4	Furniture And Bedding	2,458.33
5	Organic Chemicals	1,119.42	5	Pharmaceutical Products	2,239.20
6	Misc. Grain, Seed, Fruit	1,062.02	6	Plastics	1,838.88
7	Tobacco	1,047.54	7	Toys, Games, Sports Equipment	1,484.33
8	Optic, Photo, Etc, Medic or Surgical Instruments	968.60	8	Apparel, Knitted or Crocheted	1,447.80
9	Electrical Machinery	928.86	9	Beverages, Spirits and Vinegar	1,263.55
10	Misc. Chemical Products	928.29	10	Apparel, Not Knitted or Crocheted	1,063.13

Trade Lanes

	Export	Import
Africa	1,624.36	556.77
Asia, Northeast	4,639.66	13,885.39
Asia, Southeast	1,864.96	4,999.27
Carribbean	191.08	56.34
Central AM	276.44	390.61
Europe, North	10,138.56	13,596.16
India & Others	1,363.72	3,214.50
Mediterranean	1,687.51	4,650.41
Middle East	1,955.85	566.24
North America	65.67	56.66
Oceania	189.34	60.83
South America	1,849.56	2,111.94

Top U.S. Ports

1	Los Angeles, CA	272,396.35
2	Newark, NJ	143,534.75
3	Houston, TX	112,919.80
4	Long Beach, CA	88,021.46
5	Savannah, GA	82,614.40
6	The Port of Virginia	69,991.93
7	Charleston, SC	69,619.71
8	Tacoma, WA	54,509.79
9	Baltimore, MD	49,890.03
10	Oakland, CA	48,618.50

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

Other Operational Information

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

	VPA Employee Base									
Type	**June 30, 2008**	**June 30, 2009**	**June 30, 2010**	**June 30, 2011**	**June 30, 2012**	**June 30, 2013**	**June 30, 2014**	**June 30, 2015**	**June 30, 2016**	**June 30, 2017**
Sworn Officers/ Security Personnel/Safety	**93**	**97**	**82**	**81**	**49**	**42**	**39**	**47**	**51**	**50**
Marketing/Economic Development Personnel	**26**	**6**	**6**	**8**	**9**	**13**	**18**	**25**	**17**	**18**
Port Promotions Personnel	**6**	**6**	**5**	**6**	**5**	**2**	**-**	**-**	**-**	**-**
Strategic Planning, Engineering & Acquisition Personnel	**7**	**9**	**8**	**8**	**7**	**7**	**8**	**8**	**24**	**27**
Administrative Personnel	**20**	**28**	**23**	**23**	**22**	**17**	**18**	**56**	**104**	**108**
Agency Totals	**152**	**146**	**124**	**126**	**92**	**81**	**83**	**136**	**196**	**203**

Virginia Port Authority
Source and Use Data
Fiscal Year Ended June 30, 2017

Operating Revenues	$132,728,033	44%	Operating Expenses	$113,936,945	55%
Non-operating Revenues	168,252,947	56%	Non-operating Expenses	91,826,111	45%
Total Revenues	$300,980,980		Total Expenses	$205,763,056	

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

Of the operating revenues, $120.5 million or 90.8% are operating transfers from the net cash flows of Virginia International Terminals. Their tariff rates are published at http://www.vit.org/Rates.aspx. Currently 76.2% of all revenues are based on proprietary unit rate contracts which commit shiplines and alliances to long term relationships with our ports. The remaining revenues are billed at tariff rates or via specific quotes.

Of non-operating revenues and expenses, $84.6 million and $84.8 million respectively, are the funding by the Commonwealth of Virginia for improvement at NIT and the expenditure of that funding.

Virginia Port Authority
Capital Assets [1]
Last Ten Fiscal Years

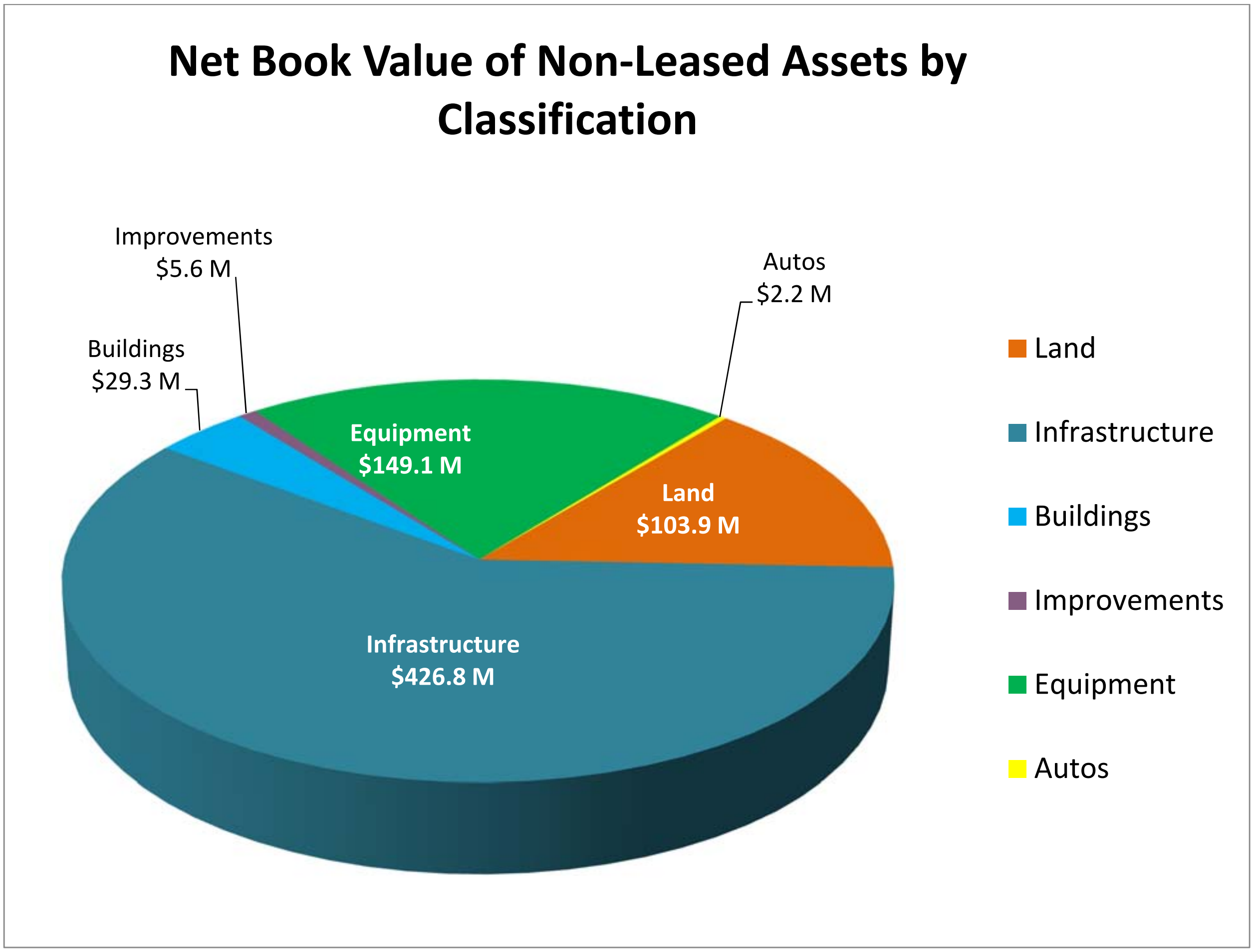
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Terminals Operated (total)	**4**	**4**	**4**	**5**	**6**	**6**	**6**	**6**	**6**	**6**
Owned	4	4	4	4	4	4	4	4	4	4
Leased	-	-	-	1	2	2	2	2	2	2
Land (acres)	1,169	1,235	1,235	1,509	1,630	1,630	1,592	1,592	1,592	1,592
Berth/Wharf (linear feet)	12,715	12,715	13,385	18,500	20,084	20,084	18,439	18,900	18,900	17,935
Rail Track (linear feet)	169,940	169,940	169,940	187,457	187,457	187,457	177,020	173,595	173,595	204,607
On-Terminal Warehouse (sq ft)	1,934,471	1,934,471	1,934,471	2,223,000	2,523,105	2,523,105	2,614,105	2,614,105	2,698,000	2,638,105
Net Book Value of Capital Assets	$772,032,877	$836,093,101	$813,348,001	$835,675,055	$809,568,255	$775,509,339	$770,413,713	$753,658,762	$753,053,195	$912,374,872
Construction in Process	136,808,087	148,797,653	124,321,372	160,044,340	112,808,246	110,378,281	131,136,358	108,312,870	122,437,149	195,487,725
Land	97,625,560	97,625,560	97,424,839	100,122,410	105,611,558	105,727,987	105,539,821	105,539,821	102,749,147	103,936,099
Buildings and Infrastructure	574,362,323	599,118,698	636,890,510	643,180,345	715,700,049	715,771,832	723,745,918	765,087,023	780,966,061	851,512,977
Equipment	254,737,928	319,985,858	314,998,702	326,148,220	269,181,526	280,120,829	288,455,554	298,791,643	304,165,331	370,713,726
Depreciation (Accumulated)	(291,501,021)	(329,434,668)	(360,287,422)	(393,820,260)	(393,733,124)	(436,489,590)	(478,463,938)	(521,072,595)	(557,264,493)	(609,275,655)

THE PORT OF VIRGINIA®

(1) Excluded the net book value of the amended and restated lease with Virginia International Gateway, Inc. which is recorded in the statement of net assets as a capital lease.

Operating Assets

In conjunction with its mission to stimulate commerce through the ports of the Commonwealth, the Virginia Port Authority is responsible for the maintenance of and improvements to the Commonwealth's port facilities. Seventy-four percent (74%) of the Authority's assets are land and infrastructure such as wharfs, piers, container storage, etc. Container handling equipment is also a major operating asset at the port representing twenty-one percent (21%) 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 (4%) and improvements (1%).



This chart excludes Construction in Progress ($195M) as these assets are not currently used in operations.

VIRGINIA PORT AUTHORITY/ VIRGINIA INTERNATIONAL TERMINALS, LLC.
Consolidated Statement of Revenues, Expenses and Changes in Net Position
Fiscal Years 2008 Through 2017

	2008 Restated[(1)]	2009 Restated[(1)]	2010 Restated[(1)]	2011 Restated[(1)]	2012 Restated[(1)]	2013 Restated[(1)]	2014 Restated[(1)]	2015	2016	2017
Operating Revenues:										
Terminal operating revenues	254,132,812	203,909,927	203,485,054	277,856,791	297,835,649	339,460,135	383,714,148	440,841,866	439,087,836	478,618,874
Other revenues	6,049,718	4,707,316	4,742,848	6,274,000	6,519,292	7,970,579	7,762,729	9,147,626	9,339,787	10,102,177
Operating revenues - grants	-	-	1,030,769	3,596,326	6,283,332	4,903,439	5,192,084	6,179,493	6,390,908	2,113,617
Total operating revenues	260,182,530	208,617,243	209,258,671	287,727,117	310,638,273	352,334,153	396,668,961	456,168,985	454,818,531	490,834,668
Operating Expenses:										
Terminal operations	120,459,517	99,327,311	91,215,794	121,983,405	128,782,659	153,682,077	176,243,834	198,126,233	191,655,822	206,558,839
Terminal maintenance	53,257,263	45,593,108	44,018,197	54,745,598	54,936,881	70,958,589	92,160,744	92,737,533	95,361,699	99,886,973
General and administrative	41,301,275	40,210,132	43,951,276	47,905,140	51,903,912	43,556,452	46,063,032	49,318,501	59,703,412	59,142,469
Facility rental	-	-	-	32,538,640	37,063,827	47,229,466	52,479,613	55,679,447	55,618,729	17,429,000
Depreciation and amortization	40,661,311	44,152,797	48,710,646	50,630,851	49,271,899	47,979,055	46,612,042	46,693,840	47,723,393	74,405,644
Total operating expenses	255,679,366	229,283,348	227,895,913	307,803,634	321,959,178	363,405,639	413,559,265	442,555,554	450,063,055	457,422,925
Operating income (loss)	4,503,164	(20,666,105)	(18,637,242)	(20,076,517)	(11,320,905)	(11,071,486)	(16,890,304)	13,613,431	4,755,476	33,411,743
Non-operating revenues (expenses)										
Interest income	6,035,464	2,684,532	1,507,788	1,181,739	1,510,827	333,654	555,518	459,132	722,930	898,381
Interest expense, net of amounts capitalized	(16,613,369)	(17,163,304)	(15,687,770)	(18,984,951)	(23,070,738)	(20,531,918)	(16,888,384)	(14,160,492)	(18,160,286)	(88,300,075)
Bond issue costs	(678,876)	(20,000)	(694,650)	(538,986)	(734,427)	(917,063)	(69,000)	(1,024,231)	(489,036)	(2,749,482)
Revenues (expenses) VEDP, net	-	-	-	-	-	-	-	-	1,690,873	6,990,924
Commonwealth Rail Relocation income (& ARRA)	20,781,163	-	-	2,014,416	6,375,798	244,424	-	-	-	-
Commonwealth Rail Relocation expenses	(22,102,404)	(26,817,021)	(8,223,576)	(2,272,191)	(6,296,498)	(394,990)	(133,770)	-	-	-
Revenues (expenses) other state agencies	7,388,750	-	-	-	-	-	-	-	-	-
Revenues from federal government	876,048	16,711,588	6,076,191	12,588,643	4,612,432	3,471,137	626,643	740,452	9,653,436	11,988,133
Revenues (expense) Commonwealth	23,948,420	(155,867)	(105,427)	(261,468)	(297,267)	(158,628)	306,335	1,324,350	(187,951)	84,461,557
Voluntary non-exchange revenue	-	1,900,000	-	-	-	-	-	-	-	-
Other income (expense)	35,590	38,825	7,787	8,996	8,722	-	-	-	2,744	-
Gain (loss) on disposals	(1,017,897)	34,854	(2,093,785)	88,879	(15,266,083)	708,585	2,652	-	(1,107,131)	(20,574)
Income (loss) before capital contributions and transfers	23,156,053	(43,452,498)	(37,850,684)	(26,251,440)	(44,478,139)	(28,316,285)	(32,490,310)	952,642	(3,118,945)	46,680,607
Capital contributions and transfers										
Commonwealth Port Fund allocation	36,036,914	32,663,448	32,784,966	34,717,391	36,252,985	37,223,718	36,652,218	38,418,111	42,366,884	41,469,200
Capital contributions (to) from component unit	-	-	-	-	-	-	11,000	2,665,000	-	-
Payments to federal government - channel dredging	-	-	-	-	-	-	-	-	(5,722,955)	(755,980)
Capital contributions (to) from other state agencies	-	-	-	-	-	-	-	-	4,789,728	-
Cumulative effect of changes in accounting principle[(2)]	-	-	-	-	-	(4,564,965)	12,207,272	(29,915,563)	-	-
Increase (decrease) in Net Position	59,192,967	(10,789,050)	(5,065,718)	8,465,951	(8,225,154)	4,342,468	16,380,180	12,120,190	38,314,712	87,393,827
Special Item - Lease Conversion	-	-	-	-	-	-	-	-	-	13,277,025
Increase (decrease) in Net Position After Special Item	59,192,967	(10,789,050)	(5,065,718)	8,465,951	(8,225,154)	4,342,468	16,380,180	12,120,190	38,314,712	100,670,852
Net Position - Beginning of Year	408,260,250	467,453,217	456,664,167	451,598,449	460,064,400	451,839,246	456,181,714	472,561,894	484,682,084	522,996,796
Net Position - End of Year	467,453,217	456,664,167	451,598,449	460,064,400	451,839,246	456,181,714	472,561,894	484,682,084	522,996,796	623,667,648

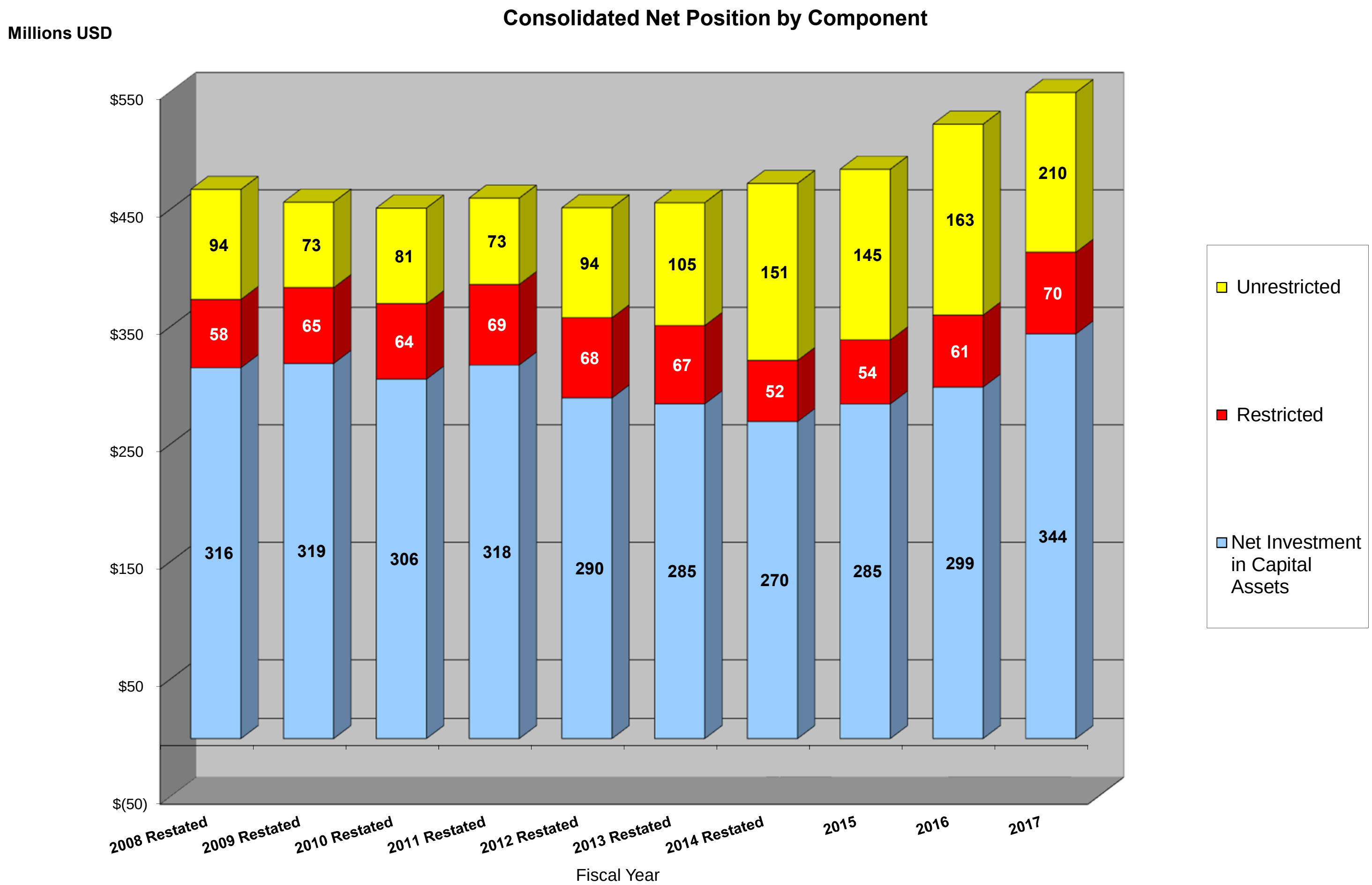
(1) Restatements include the adoption of GASB 65 in 2014 and a prior period adjustment to correct the capitalization of interest costs for periods prior to 2015.

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

VIRGINIA PORT AUTHORITY/VIRGINIA INTERNATIONAL TERMINALS, LLC
Consolidated Net Position by Component
Fiscal Years 2008 Through 2017

	Fiscal Year									
	2008 Restated	2009 Restated	2010 Restated	2011 Restated	2012 Restated	2013 Restated	2014 Restated	2015	2016	2017
Net Position:										
Net Investment in Capital Assets	$ 315,716,870	$ 319,365,374	$ 305,972,237	$ 318,020,499	$ 290,000,862	$ 284,918,598	$ 269,881,033	$ 284,879,235	$ 299,198,470	$ 344,497,228
Restricted	58,134,695	64,545,940	64,266,192	68,594,913	68,272,355	66,720,529	52,020,379	54,464,665	61,274,859	69,531,520
Unrestricted	93,601,652	72,752,853	81,360,020	73,448,988	93,566,029	104,542,587	150,660,482	145,338,184	162,523,467	209,638,900
Total Net Position	$ 467,453,217	$ 456,664,167	$ 451,598,449	$ 460,064,400	$ 451,839,246	$ 456,181,714	$ 472,561,894	$ 484,682,084	$ 522,996,796	$ 623,667,648

Net Postion amounts have been restated to reflect the implementation of GASB 68, the restatement of prior years due to the capture of interest costs into capital assets and to conform to current year presentation.




IMO 9739666
MOL BENEFACTOR
HONG KONG

VIRGINIA PORT AUTHORITY

CONTINUING DISCLOSURE AGREEMENT

ANNUAL REPORT
(unaudited)

FOR FISCAL YEAR ENDED

JUNE 30, 2017

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

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

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

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

**COMMONWEALTH PORT FUND REVENUE BONDS,
SERIES 2015 (AMT)**

BASE CUSIP NUMBER: 928075

VIRGINIA PORT AUTHORITY

Continuing Disclosure Agreement
Annual Report

For Fiscal Year Ended
June 30, 2017

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

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

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

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

Commonwealth Port Fund Revenue Bonds, Series 2015 (AMT)

Table of Contents

TABLE 1 - 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 following table sets forth the annual collections of the taxes that have been allocated to the Transportation Trust Fund beginning with the fiscal year ended June 30, 2008.

TRANSPORTATION TRUST FUND
STATEMENT OF REVENUE COLLECTIONS
FISCAL YEARS 2008 THROUGH 2017

Transportation Trust Fund
(in millions)

Fiscal Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Retail Sales and Use Tax	$524.9	$499.4	$490.7	$477.3	$503.1	$521.2	$526.6	$590.7	$599.1	$615.6
Motor Vehicle Sales and Use Tax(1)	194.3	150.8	162.0	183.6	198.3	201.8	207.4	224.9	237.2	245.8
Motor Fuel Taxes(2)	122.4	116.8	115.0	117.7	115.5	123.7	115.0	118.8	138.8	106.9
Motor Vehicle Registration Fees(3)	21.4	21.6	20.8	21.2	21.2	21.7	21.8	22.0	21.8	22.3
Total Transportation Trust Fund Revenues(4)	$863.0	$788.6	$788.5	$799.8	$838.1	$868.4	$870.8	$956.4	$996.9	$990.6

---

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

---

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

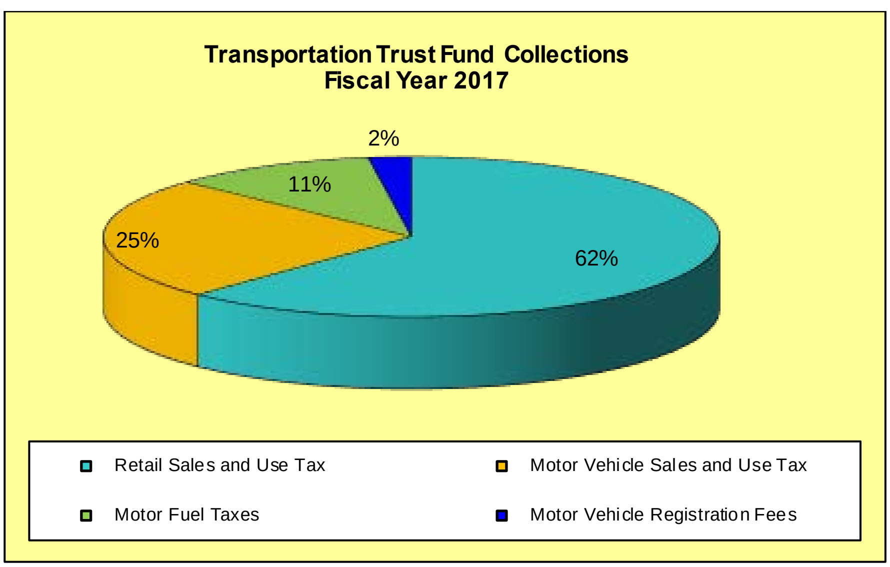


TABLE 2 - NET TRANSFERS TO THE COMMONWEALTH PORT FUND

The following table shows the allocation of Transportation Trust Fund revenue to the Port Fund, the interest credited to the Port Fund prior to its transfer to the Income Account under the Authority's Commonwealth Port Fund Revenue Bond Resolution (the "Bond Resolution") and the expenses charged thereto for the fiscal years 2008 through 2017. 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)	(—)	Indirect Expenses(2)	(=)	Net Transfers
2008	$36,086,327		$410,267		$48,700		$36,477,894
2009	32,966,292		257,621		-		33,223,913
2010	32,716,363		232,650		-		32,949,013
2011	33,450,399		149,292		-		33,599,691
2012	36,101,349		232,501		-		36,333,850
2013	37,200,445		228,015		-		37,428,460
2014	37,340,888		226,124		-		37,567,012
2015	39,640,666		291,495		-		39,932,161
2016	41,481,432		277,242		-		41,758,674
2017	41,450,494		463,675		-		41,914,169

(1) 4.2% of total Transportation Trust Fund revenues less certain estimated expenses.
(2) The allocation to the Port Fund is proportionally (i) assessed the indirect cost recovery charges imposed on the Transportation Trust Fund by the General Assembly, (ii) credited with the allocable investment income of the Transportation Trust Fund and (iii) charged up to 20 basis points for the services of the Department of the Treasury in managing such investments.

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

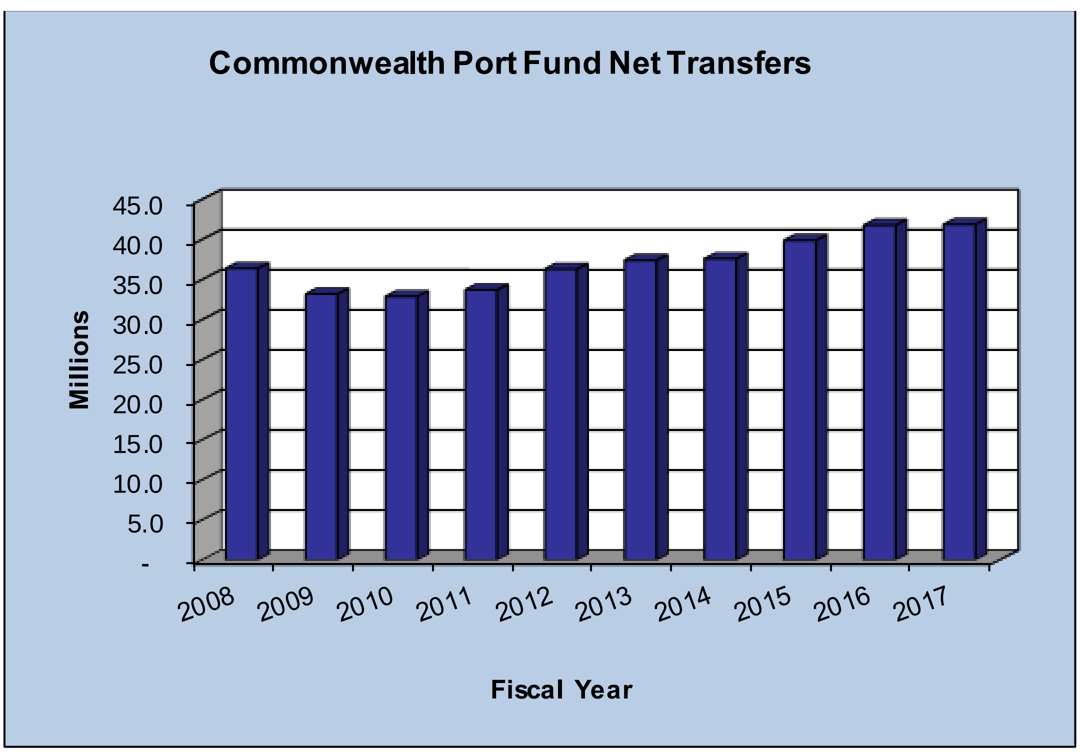


TABLE 3 - DEBT SERVICE DEPOSIT REQUIREMENTS AND COVERAGE

Debt Service Requirements

The following table sets forth for the periods ending each June 30, the 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 Bonds, Series 2011 (the "2011 Bonds"); outstanding Commonwealth Port Fund Revenue Refunding Bonds, Series 2012; outstanding Commonwealth Port Fund Revenue Refunding Bonds, Series 2012B and 2012C and the outstanding Commonwealth Port Fund Revenue Bonds, Series 2015.

Fiscal Year Ending June 30,	Series 2011 Bonds Debt Service	Series 2012 Bonds Debt Service	Series 2012-B Bonds Debt Service	Series 2012-C Bonds Debt Service	Series 2015 Bonds Debt Service	Total Bonds Debt Service*
	Total	Total	Total	Total	Total	Total
2018	$2,868,500	$9,060,858	$3,868,732	$224,150	$2,934,000	$18,956,240
2019	2,868,500	9,057,183	3,869,700	224,150	2,934,000	18,953,533
2020	2,868,500	9,059,999	3,862,824	224,150	2,934,000	18,949,473
2021	2,868,500	9,054,463	3,870,619	224,150	2,934,000	18,951,732
2022	2,868,500	9,059,515	3,865,973	224,150	2,934,000	18,952,138
2023	2,868,500	9,052,182	3,868,732	224,150	2,934,000	18,947,564
2024	2,868,500	9,056,657	3,868,225	224,150	2,934,000	18,951,532
2025	2,868,500	9,056,269	3,868,985	224,150	2,934,000	18,951,904
2026	2,868,500	9,054,741	3,868,710	224,150	2,934,000	18,950,101
2027	2,868,500	9,054,756	3,866,680	224,150	2,934,000	18,948,086
2028	5,433,500	-	3,867,516	224,150	9,184,000	18,709,166
2029	5,430,250	-	3,037,707	1,004,150	9,241,500	18,713,607
2030	5,425,750	-	-	4,215,750	9,070,500	18,712,000
2031	9,709,750	-	-	-	9,001,500	18,711,250
2032	9,712,500	-	-	-	1,599,000	11,311,500
2033	9,712,000	-	-	-	1,599,000	11,311,000
2034	9,712,500	-	-	-	1,599,000	11,311,500
2035	9,713,000	-	-	-	1,599,000	11,312,000
2036	9,712,500	-	-	-	1,599,000	11,311,500
2037	-	-	-	-	9,019,000	9,019,000
2038	-	-	-	-	9,018,000	9,018,000
2039	-	-	-	-	9,018,500	9,018,500
2040	-	-	-	-	9,019,500	9,019,500

*Does not include Refunded Bonds

Debt Service Requirements are shown in the graph below:

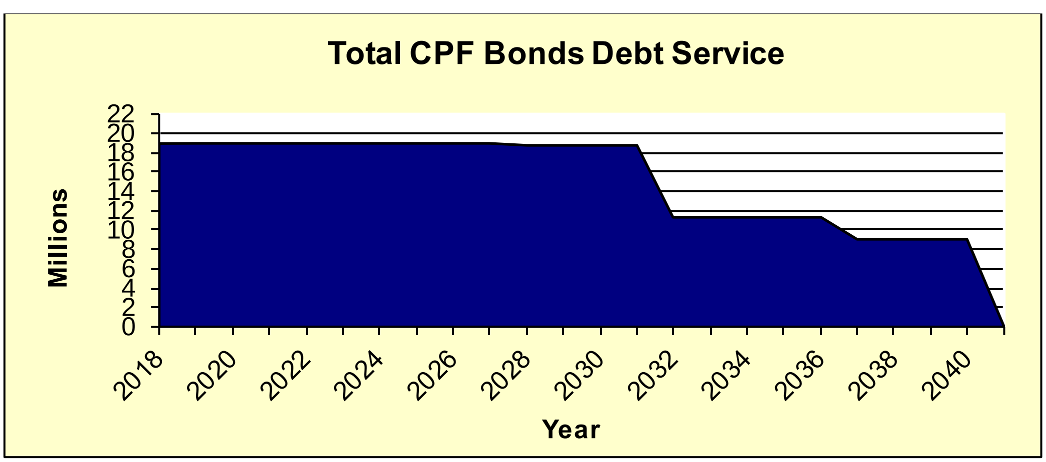


TABLE 3 - DEBT SERVICE DEPOSIT REQUIREMENTS AND COVERAGE - continued

Debt Service Coverage

Coverage of maximum annual debt service on the 2011, 2012 and 2015 Bonds by Commonwealth Port Fund Primary Income for the fiscal year ended June 30, 2017 is shown below:

Commonwealth Port Fund Primary Income for the fiscal year ended June 30, 2017	$41,914,169
Maximum Annual Debt Service (FY 2018)	$18,956,240
Pro Forma Maximum Annual Debt Service Coverage	2.21

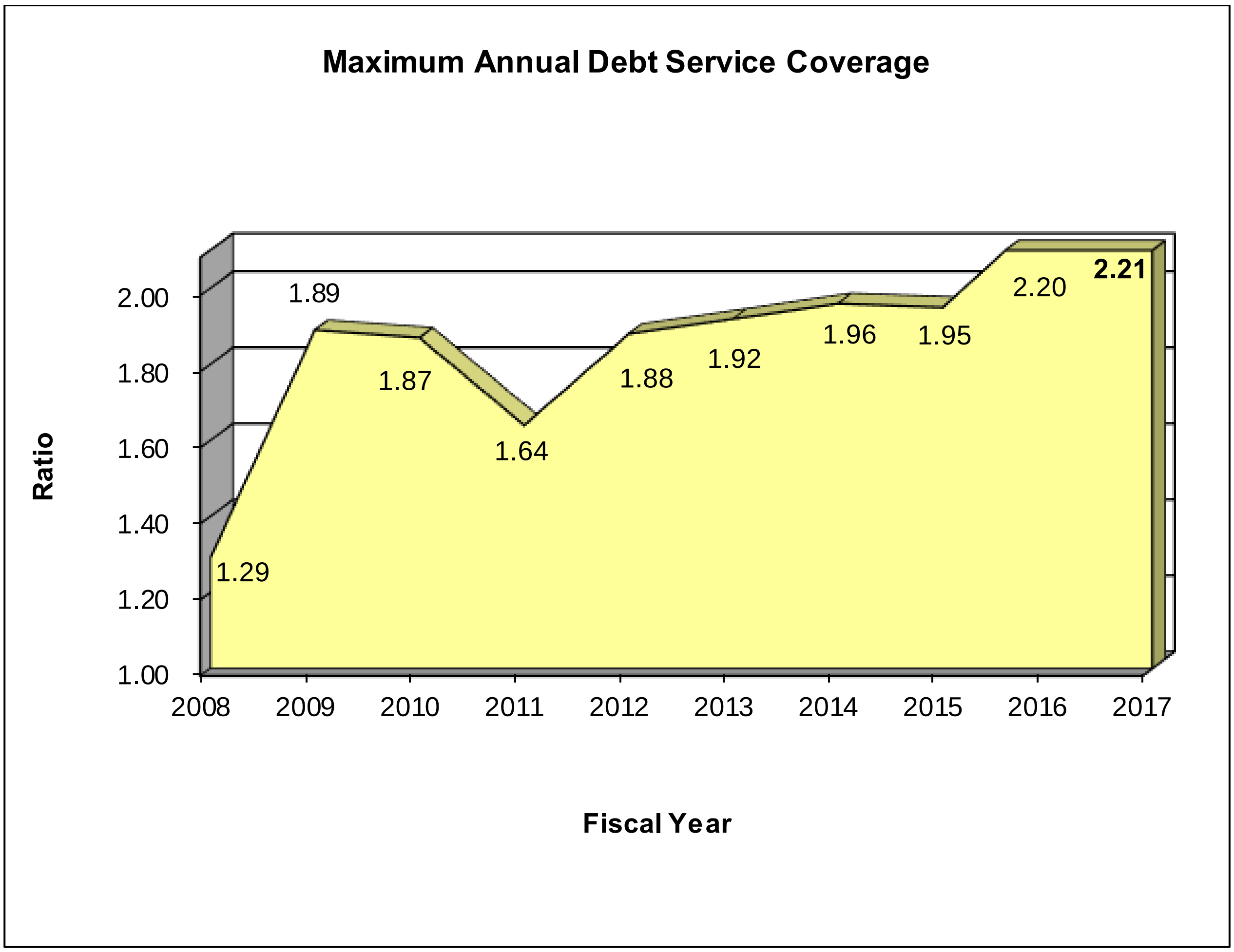


TABLE 4 - AUTHORITY REVENUES AND EXPENSES

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

Fiscal Year	2013	2014	2015	2016	2017
Special Fund	$101,471,234	$88,460,520	$104,269,515	$127,743,936	$149,663,484
Commonwealth Port Fund	36,407,247	39,731,544	38,717,385	41,481,608	41,901,281
General Fund and Other	9,900,445	2,201,158	3,975,966	11,730,181	16,354,141
Total Revenues	147,778,926	130,393,222	146,962,866	180,955,725	207,918,906
Expenses					
Economic Development Services:					
National & International Trade Services	3,439,495	2,809,353	3,752,130	3,453,741	3,377,383
Commerce Advertising	469,076	319,643	415,028	352,525	642,539
Port Facilities Planning, Maintenance, Acquisition & Construction:					
Maintenance and Operation of Port Facilities	9,773,168	7,953,557	8,929,426	11,073,508	9,821,794
Port Facilities Planning	1,127,590	1,641	-	(118)	235,712
Debt Service for Port Facilities	52,319,515	35,902,767	46,656,033	41,141,983	37,808,297
Financial Assistance for Port Activities:					
Agency Service Fee	94	160	193	-	-
Aid to Local Ports	720,869	390,189	877,113	1,684,863	708,998
Payment in Lieu of Taxes	1,138,819	1,524,353	960,345	1,118,955	1,518,566
Administration & Support Services:					
General Management & Direction	6,492,465	6,739,974	8,736,079	20,203,715	23,351,933
Facility Rental	46,780,747	52,224,628	56,383,151	55,525,236	60,006,887
Security Services	13,188,697	8,317,511	8,908,378	9,236,985	8,720,740
Total Operating Expenditures	135,450,535	116,183,776	135,617,876	143,791,393	146,192,849
Funds Available for Capital Projects	$ 12,328,391	$ 14,209,446	$ 11,344,990	$37,164,332	$61,726,057

TABLE 5 - CARGO DATA

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

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

	2012	2013	2014	2015	2016
Exports					
Paper and Paperboard	1,070,721	1,069,168	976,840	901,543	923,662
Wood Pulp	699,825	843,103	864,696	758,466	905,411
Logs and Lumber	584,624	638,178	770,646	852,913	860,369
Soybeans and Products	508,371	813,475	758,695	844,039	822,012
Pet and Animal Feeds	215,322	289,134	390,139	502,409	507,737
Imports					
Furniture	479,352	524,312	551,034	583,881	725,538
Auto Parts	479,586	471,108	511,662	487,757	442,302
Paper and Paperboard	219,207	194,110	219,032	202,032	253,002
Metal ware	202,859	222,982	241,527	297,466	243,430
Plastic Products	207,873	254,282	287,536	274,003	203,857

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

Source: Port Import Export Reporting Service

TABLE 5 - CARGO DATA - continued

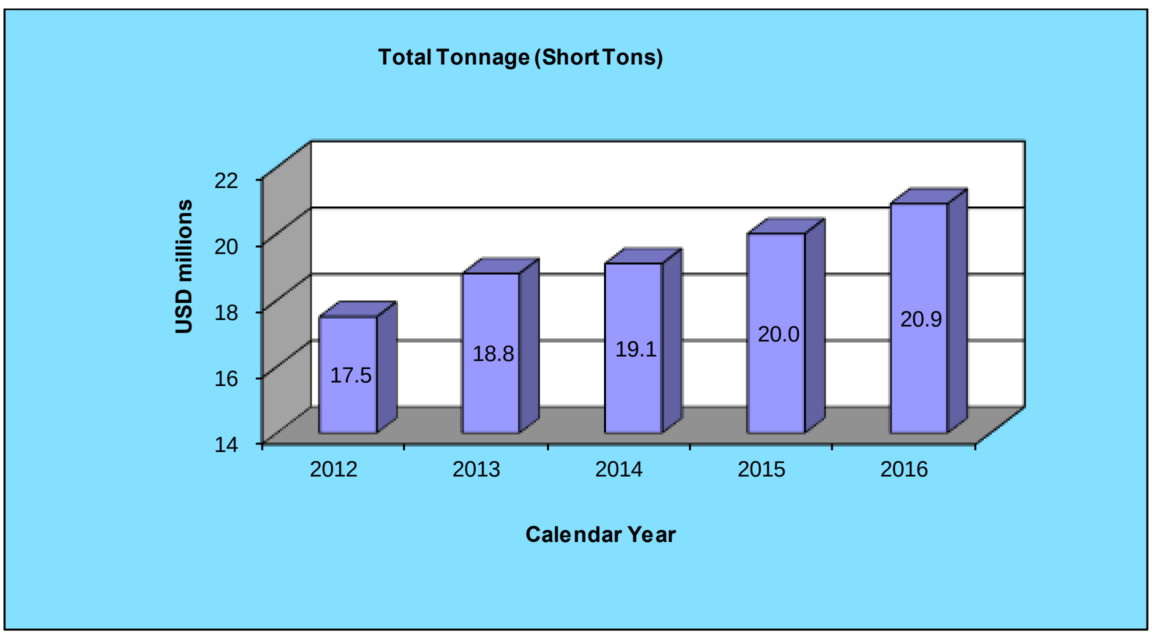
Presented below is information concerning the volume of general cargo handled at all facilities that comprise the Port of Virginia.

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

	2012	2013	2014	2015	2016
Breakbulk	372,144	336,060	328,060	295,719	204,425
Container	17,155,583	18,504,243	18,733,342	19,681,988	20,664,886
Total Tons	17,527,727	18,840,303	19,061,402	19,977,707	20,869,311

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

Source: Terminal Operators' Statistics



VIRGINIA PORT AUTHORITY

CONTINUING DISCLOSURE AGREEMENT

ANNUAL REPORT
(unaudited)

FOR FISCAL YEAR ENDED

JUNE 30, 2017

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

VIRGINIA PORT AUTHORITY

Continuing Disclosure Agreement
Annual Report

For Fiscal Year Ended
June 30, 2017

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

Table of Contents

TABLE 1 - AUTHORITY REVENUES AND EXPENSES

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

Fiscal Year	2013	2014	2015	2016	2017
Special Fund	$101,471,234	$88,460,520	$104,269,515	$127,743,936	$149,663,484
Commonwealth Port Fund	36,407,247	39,731,544	38,717,385	41,481,608	41,901,281
General Fund and Other	9,900,445	2,201,158	3,975,966	11,730,181	16,354,141
Total Revenues	147,778,926	130,393,222	146,962,866	180,955,725	207,918,906
Expenses					
Economic Development Services:					
National & International Trade Services	3,439,495	2,809,353	3,752,130	3,453,741	3,377,383
Commerce Advertising	469,076	319,643	415,028	352,525	642,539
Port Facilities Planning, Maintenance, Acquisition & Construction:					
Maintenance and Operation of Port Facilities	9,773,168	7,953,557	8,929,426	11,073,508	9,821,794
Port Facilities Planning	1,127,590	1,641	-	(118)	235,712
Debt Service for Port Facilities	52,319,515	35,902,767	46,656,033	41,141,983	37,808,297
Financial Assistance for Port Activities:					
Agency Service Fee	94	160	193	-	-
Aid to Local Ports	720,869	390,189	877,113	1,684,863	708,998
Payment in Lieu of Taxes	1,138,819	1,524,353	960,345	1,118,955	1,518,566
Administration & Support Services:					
General Management & Direction	6,492,465	6,739,974	8,736,079	20,203,715	23,351,933
Facility Rental	46,780,747	52,224,628	56,383,151	55,525,236	60,006,887
Security Services	13,188,697	8,317,511	8,908,378	9,236,985	8,720,740
Total Operating Expenditures	135,450,535	116,183,776	135,617,876	143,791,393	146,192,849
Funds Available for Capital Projects	$ 12,328,391	$ 14,209,446	$ 11,344,990	$37,164,332	$61,726,057

TABLE 2 - VIT REVENUES AND EXPENSES

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

Fiscal Year	2013[2]	2014	2015	2016	2017
Revenues:					
Operating	$339,460,135	$383,714,148	$440,841,866	$439,087,836	$478,618,874
Nonoperating	(148,527)	224,937	17,678	70,380	2,706
Gross Revenues	339,311,608	383,939,085	440,859,544	439,158,216	478,621,580
Expenses:					
Operating & Maintenance Expenses	215,133,442	259,952,652	280,794,678	275,590,553	297,757,567
Administrative Expenses	27,510,957	29,373,020	34,145,101	42,808,794	45,728,413
Total Expenses	242,644,399	289,325,672	314,939,779	318,399,347	343,485,980
Income Before Transfers and Contributions[1]	$96,667,209	$94,613,413	$125,919,765	$120,758,869	$135,135,600

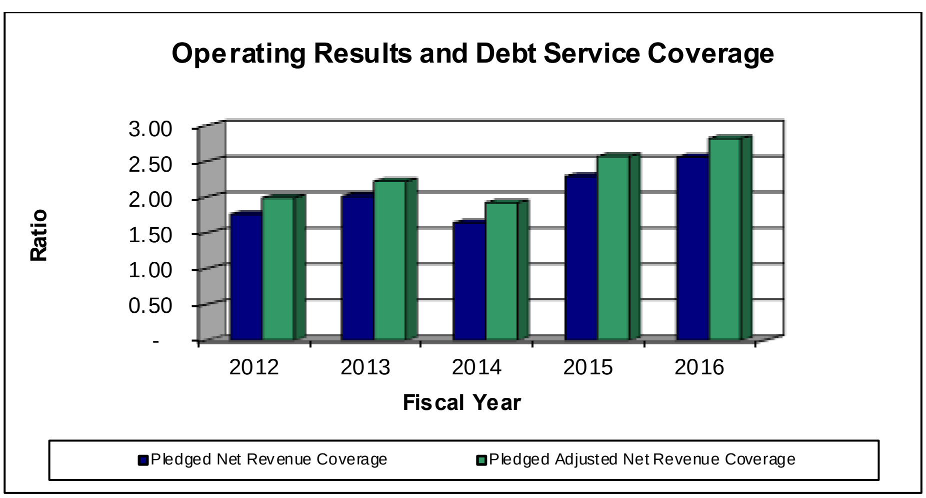
Source: VIT accrual basis financial statements for the indicated fiscal years.

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

(2) Due to a change in accounting principle FY 2013 has been restated to reflect the change.

TABLE 3 - OPERATING RESULTS AND DEBT SERVICE COVERAGE – Resolution 97-5*

	FY 2012	FY 2013	FY2014	FY2015	FY2016
Virginia International Terminals					
VIT Gross Receipts	$285,172,289	$319,328,898	$312,014,454	$356,486,579	$420,225,842
VIT Current Expenses	(197,617,574)	(222,110,006)	(223,495,865)	(258,033,599)	(304,119,912)
VIT CE Reserve (Deposit)/Withdrawal	1,562,000	-	2,595,997	3,450,564	(4,652,679)
VIT Deposits to CEMA	(4,701,389)	(4,635,516)	(9,243,097)	(7,215,154)	(8,689,854)
Fixed Asset Proceeds/ Expense Credit	385,738	(768,363)	(733,364)	(673,155)	(335,823)
VIT Net Revenue	84,801,064	91,815,013	81,138,125	94,015,235	102,427,574
Virginia Port Authority					
VPA Gross Revenues					
VIT Net Revenue	84,801,064	91,815,013	81,138,125	94,015,235	102,427,574
Other Income	6,357,859	8,881,695	6,924,491	7,990,753	25,310,365
Interest Income	28,359	98,956	9,066	140,228	5,998
Total VPA Gross Revenues	91,187,282	100,795,664	88,071,682	102,146,216	127,743,937
VPA Current Expenses	(65,269,973)	(70,046,960)	(72,577,974)	(78,801,935)	(93,003,181)
VPA Net Revenues	25,917,309	30,748,704	15,493,708	23,344,281	34,740,756
VPA CPF for O & M	4,032,026	3,704,328	4,337,882	3,764,820	4,408,734
Debt Service Coverage					
Port Facilities Revenue Bonds Net Debt Service	17,389,491	17,571,928	15,113,582	13,332,637	16,984,789
Pledged Net Revenues	30,618,698	35,384,220	24,736,804	30,559,435	43,430,610
Pledged Adjusted Net Revenues	34,650,724	39,088,547	29,074,686	34,324,255	47,839,344
Pledged Net Revenue Coverage	1.76	2.01	1.64	2.29	2.56
Pledged Adjusted Net Revenue Coverage	1.99	2.22	1.92	2.57	2.82



*This data and chart will continue to be published until we have 5 years of data under Resolution 16-9

TABLE 4 - OPERATING RESULTS AND DEBT SERVICE COVERAGE – Resolution 16-9*

Virginia International Terminals/ HRCP II Consolidated	*FY2017*
VIT/HRCP II Gross Revenues	$ 484,493,992
VIT/HRCP II Current Expenses	(350,770,652)
VIT Liquidity Reserve (Deposit)/Withdrawal	(2,542,503)
One Time Cash Transfers HRCP II[1]	5,826,628
VIT CEMA Liquidation[1]	16,061,215
VIT/HRCP II Port Operator Capital Expenditures **(A)**	(7,579,357)
VIT/HRCP II Payment (per Payment Agreement to VPA)	**145,489,323**
Virginia Port Authority	
VPA Gross Revenues	
VIT/HRCP II Payment per Payment Agreement	145,489,323
Other VPA Income and Interest Income	10,036,848
Total VPA Gross Revenues	**155,526,171**
VPA Current Expenses	**(43,916,514)**
Liquidity Reserve Requirement Restoration Amount	**-**
VPA Net Revenue (B)	**111,609,657**
VPA Commonwealth Port Fund used for O & M **(P)**	7,657,417
VPA Commonwealth Port Fund used for VIG Rent **(Q)**	5,831,000
25% of Revenue Stabilization Fund Balance **(D)**	7,270,527
Aggregate Net Revenue **(E)** (E= B + D - A)	126,459,541
Adjusted Net Revenue **(F)** (F = B + P + Q)	125,098,074
Aggregate Adjusted Net Revenue **(G)** (G = F + D - A)	139,947,958
Aggregate Principal & Interest Requirements (C)	**$ 52,191,893**

1 - One time Resolution 97-5 to Resolution 16-9 conversion item

Debt Service Coverage*	Actual 2017
Aggregate Net Revenue Coverage (E/C > 1.1x)	**2.42**
Aggregate Adjusted Net Revenue Coverage (G/C > 1.25x)	**2.68**
Net Revenue Coverage ((B-A)/C > 1.0x)	**2.28**

*This data and chart will be expanded to cover 5 years as the data becomes available

TABLE 5 - 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 & Series 2016C.

Period Ending June 30,	Series 2016A Debt Service	Series 2016B Debt Service	Series 2016C Debt Service	Total Debt Service
2018	$ 7,419,614	$ 6,776,50,340	$ 3,340,480	$ 17,536,594
2019	7,414,340	6,775,750	3,344,200	17,534,290
2020	7,424,002	6,775,500	3,335,490	17,534,992
2021	7,423,106	6,780,500	3,334,674	17,538,280
2022	7,428,860	6,775,250	3,331,428	17,535,538
2023	7,433,513	6,775,000	3,325,752	17,534,265
2024	7,438,649	6,774,250	3,322,646	17,535,545
2025	7,439,511	6,777,750	3,316,948	17,534,209
2026	7,452,166	6,775,000	3,308,658	17,535,824
2027	7,446,067	6,776,000	3,312,776	17,534,843
2028	5,454,616	3,820,250	10,158,816	19,433,682
2029	10,759,616	6,775,250	-	17,534,866
2030	10,759,259	6,777,500	-	17,536,759
2031	10,756,949	6,777,250	-	17,534,199
2032	10,756,945	6,779,250	-	17,536,195
2033	10,757,704	6,778,000	-	17,535,704
2034	10,757,894	6,778,250	-	17,536,144
2035	10,757,090	6,779,500	-	17,536,590
2036	10,759,871	6,776,250	-	17,536,121
2037	10,760,602	6,773,250	-	17,533,852
2038	10,760,723	6,775,000	-	17,535,723
2039	10,761,291	6,775,750	-	17,537,041
2040	10,756,633	6,780,000	-	17,536,633
2041	10,756,303	6,777,000	-	17,533,303
2042	10,759,404	6,776,500	-	17,535,904
2043	10,760,040	6,777,750	-	17,537,790
2044	10,757,541	6,780,000	-	17,537,541
2045	10,761,234	6,772,500	-	17,533,734

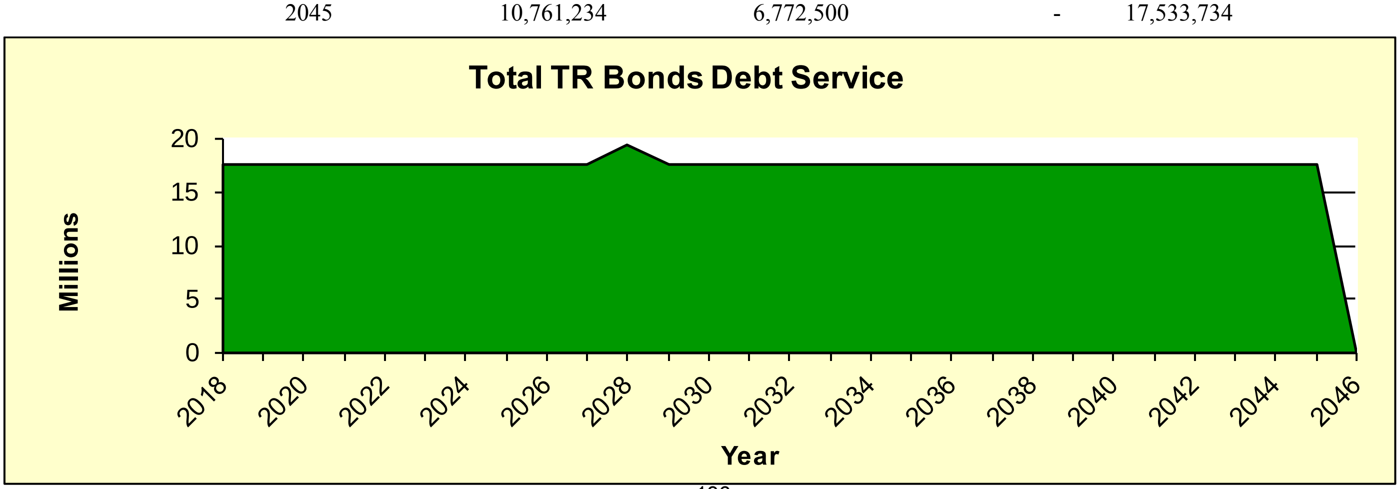


TABLE 6 - CARGO DATA

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

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

	2012	2013	2014	2015	2016
Exports					
Paper and Paperboard	1,070,721	1,069,168	976,840	901,543	923,662
Wood Pulp	699,825	843,103	864,696	758,466	905,411
Logs and Lumber	584,624	638,178	770,646	852,913	860,369
Soybeans and Products	508,371	813,475	758,695	844,039	822,012
Pet and Animal Feeds	215,322	289,134	390,139	502,409	507,737
Imports					
Furniture	479,352	524,312	551,034	583,881	725,538
Auto Parts	479,586	471,108	511,662	487,757	442,302
Paper and Paperboard	219,207	194,110	219,032	202,032	253,002
Metal ware	202,859	222,982	241,527	297,466	243,430
Plastic Products	207,873	254,282	287,536	274,003	203,857

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

Source: Port Import Export Reporting Service

TABLE 6 - CARGO DATA – concluded

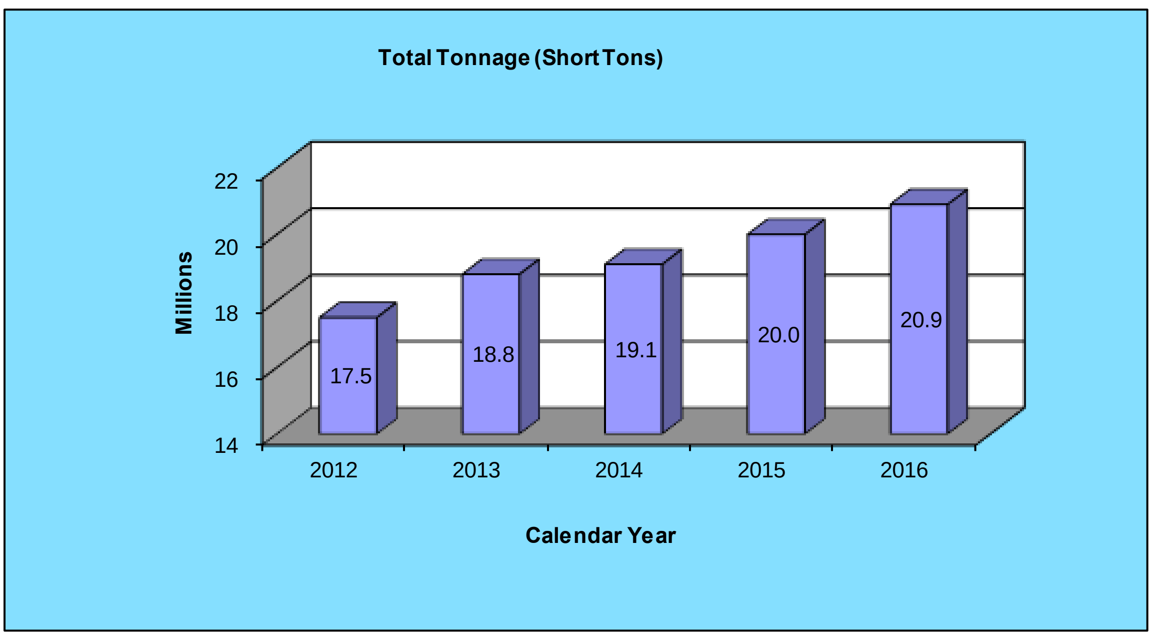
Presented below is information concerning volume of general cargo handled at all facilities that comprise the Port of Virginia.

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

	2012	2013	2014	2015	2016
Breakbulk	372,144	336,060	328,060	295,719	204,425
Container	17,155,583	18,504,243	18,733,342	19,681,988	20,664,886
Total Tons	17,527,727	18,840,303	19,061,402	19,977,707	20,869,311

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

Source: Terminal Operators' Statistics



VIRGINIA PORT AUTHORITY/ VIRGINIA INTERNATIONAL TERMINALS, LLC.

Consolidated Statement of Revenues, Expenses and Changes in Net Position

Fiscal Years 2008 Through 2017

	2008 Restated[(1)]	2009 Restated[(1)]	2010 Restated[(1)]	2011 Restated[(1)]	2012 Restated[(1)]	2013 Restated[(1)]	2014 Restated[(1)]	2015	2016	2017
Operating Revenues:										
Terminal operating revenues	$ 254,132,812	$ 203,909,927	$ 203,485,054	$ 277,856,791	$ 297,835,649	$ 339,460,135	$ 383,714,148	$ 440,841,866	$ 439,087,836	$ 478,618,874
Other revenues	6,049,718	4,707,316	4,742,848	6,274,000	6,519,292	7,970,579	7,762,729	9,147,626	9,339,787	10,102,177
Operating revenues - grants	-	-	1,030,769	3,596,326	6,283,332	4,903,439	5,192,084	6,179,493	6,390,908	2,113,617
Total operating revenues	260,182,530	208,617,243	209,258,671	287,727,117	310,638,273	352,334,153	396,668,961	456,168,985	454,818,531	490,834,668
Operating Expenses:										
Terminal operations	120,459,517	99,327,311	91,215,794	121,983,405	128,782,659	153,682,077	176,243,834	198,126,233	191,655,822	206,558,839
Terminal maintenance	53,257,263	45,593,108	44,018,197	54,745,598	54,936,881	70,958,589	92,160,744	92,737,533	95,361,699	99,886,973
General and administrative	41,301,275	40,210,132	43,951,276	47,905,140	51,903,912	43,556,452	46,063,032	49,318,501	59,703,412	59,142,469
Facility rental	-	-	-	32,538,640	37,063,827	47,229,466	52,479,613	55,679,447	55,618,729	17,429,000
Depreciation and amortization	40,661,311	44,152,797	48,710,646	50,630,851	49,271,899	47,979,055	46,612,042	46,693,840	47,723,393	74,405,644
Total operating expenses	255,679,366	229,283,348	227,895,913	307,803,634	321,959,178	363,405,639	413,559,265	442,555,554	450,063,055	457,422,925
Operating income (loss)	4,503,164	(20,666,105)	(18,637,242)	(20,076,517)	(11,320,905)	(11,071,486)	(16,890,304)	13,613,431	4,755,476	33,411,743
Non-operating revenues (expenses)										
Interest income	6,035,464	2,684,532	1,507,788	1,181,739	1,510,827	333,654	555,518	459,132	722,930	898,381
Interest expense, net of amounts capitalized	(16,613,369)	(17,163,304)	(15,687,770)	(18,984,951)	(23,070,738)	(20,531,918)	(16,888,384)	(14,160,492)	(18,160,286)	(88,300,075)
Bond issue costs	(678,876)	(20,000)	(694,650)	(538,986)	(734,427)	(917,063)	(69,000)	(1,024,231)	(489,036)	(2,749,482)
Revenues (expenses) VEDP, net	-	-	-	-	-	-	-	-	1,690,873	6,990,924
Commonwealth Rail Relocation income (& ARRA)	20,781,163	-	-	2,014,416	6,375,798	244,424	-	-	-	-
Commonwealth Rail Relocation expenses	(22,102,404)	(26,817,021)	(8,223,576)	(2,272,191)	(6,296,498)	(394,990)	(133,770)	-	-	-
Revenues (expenses) other state agencies	7,388,750	-	-	-	-	-	-	-	-	-
Revenues from federal government	876,048	16,711,588	6,076,191	12,588,643	4,612,432	3,471,137	626,643	740,452	9,653,436	11,988,133
Revenues (expense) Commonwealth	23,948,420	(155,867)	(105,427)	(261,468)	(297,267)	(158,628)	306,335	1,324,350	(187,951)	84,461,557
Voluntary non-exchange revenue	-	1,900,000	-	-	-	-	-	-	-	-
Other income (expense)	35,590	38,825	7,787	8,996	8,722	-	-	-	2,744	-
Gain (loss) on disposals	(1,017,897)	34,854	(2,093,785)	88,879	(15,266,083)	708,585	2,652	-	(1,107,131)	(20,574)
Income (loss) before capital contributions and transfers	23,156,053	(43,452,498)	(37,850,684)	(26,251,440)	(44,478,139)	(28,316,285)	(32,490,310)	952,642	(3,118,945)	46,680,607
Capital contributions and transfers										
Commonwealth Port Fund allocation	36,036,914	32,663,448	32,784,966	34,717,391	36,252,985	37,223,718	36,652,218	38,418,111	42,366,884	41,469,200
Capital contributions (to) from component unit	-	-	-	-	-	-	11,000	2,665,000	-	-
Payments to federal government - channel dredging	-	-	-	-	-	-	-	-	(5,722,955)	(755,980)
Capital contributions (to) from other state agencies	-	-	-	-	-	-	-	-	4,789,728	-
Cumulative effect of changes in accounting principle[(2)]	-	-	-	-	-	(4,564,965)	12,207,272	(29,915,563)	-	-
Increase (decrease) in Net Position	59,192,967	(10,789,050)	(5,065,718)	8,465,951	(8,225,154)	4,342,468	16,380,180	12,120,190	38,314,712	87,393,827
Special Item - Lease Conversion	-	-	-	-	-	-	-	-	-	13,277,025
Increase (decrease) in Net Position After Special Item	59,192,967	(10,789,050)	(5,065,718)	8,465,951	(8,225,154)	4,342,468	16,380,180	12,120,190	38,314,712	100,670,852
Net Position - Beginning of Year	408,260,250	467,453,217	456,664,167	451,598,449	460,064,400	451,839,246	456,181,714	472,561,894	484,682,084	522,996,796
Net Position - End of Year	$ 467,453,217	$ 456,664,167	$ 451,598,449	$ 460,064,400	$ 451,839,246	$ 456,181,714	$ 472,561,894	$ 484,682,084	$ 522,996,796	$ 623,667,648

(1) Restatements include the adoption of GASB 65 in 2014 and a prior period adjustment to correct the capitalization of interest costs for periods prior to 2015.

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

VIRGINIA PORT AUTHORITY

600 World Trade Center
Norfolk, VA 23510