

In the opinion of Bond Counsel, under current law and assuming compliance with certain tax covenants and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), as described herein, interest on the Series 2025A Bonds will not be includable in the gross income of the owners thereof for federal income tax purposes. The District's Enabling Act provides that the Series 2025A Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, shall be free and exempt from taxation by the Commonwealth of Virginia and by any political subdivision thereof. See "TAX MATTERS" herein for further information.



\$223,860,000
Hampton Roads Sanitation District, Virginia
Subordinate Wastewater Revenue Bonds,
Series 2025A

Dated: Date of Issue**Due: July 15, 2026**

The Hampton Roads Sanitation District (the "District") is issuing the above-captioned bonds (the "Series 2025A Bonds") to provide short-term interim financing for (i) a portion of the costs of the District's Capital Improvement Program (as defined herein), and (ii) to pay certain expenses incurred in connection with the issuance of the Series 2025A Bonds by the District. See "PLAN OF FINANCING" and "SOURCES AND USES OF FUNDS" herein.

The Series 2025A Bonds are issuable as registered bonds without coupons and will be initially registered only in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), serving as securities depository for the Series 2025A Bonds. The Series 2025A Bonds will be available to purchasers in denominations of \$5,000 principal amount and any whole multiple thereof only under the book-entry system maintained by DTC through brokers and dealers that are, or that act through, DTC Participants. Principal, premium, if any, and interest will be paid by The Bank of New York Mellon Trust Company, N.A., as Fiscal Agent, to DTC or its nominee, which will remit the payments to the DTC Participants for subsequent disbursement. See "THE SERIES 2025A BONDS – Book-Entry Only System" herein. Interest on the Series 2025A Bonds is payable on January 15, 2026, and at maturity.

The Series 2025A Bonds are Subordinate Obligations, within the meaning of the Trust Agreement, dated as of October 1, 2011, as amended and restated as of March 1, 2016, as amended, and as further amended and restated as of July 1, 2024, as supplemented (as so amended, restated and supplemented, the "Trust Agreement"), between the District and The Bank of New York Mellon Trust Company, N.A., as trustee (in such capacity, the "Trustee"), and are expressly subordinate and junior to the Lien on Net Revenues (each as defined in the Trust Agreement) created pursuant to the Trust Agreement in favor of Senior Obligations (as defined in the Trust Agreement) of the District. See "SECURITY AND SOURCES OF PAYMENT" herein.

The Series 2025A Bonds are not subject to redemption prior to maturity.

Because the Series 2025A Bonds provide short-term interim financing, the District contemplates (and the Commission has authorized) the principal of and the interest on the Series 2025A Bonds to be paid with one or more of the following: (i) the proceeds of bonds of the District issued as Senior Obligations under the Trust Agreement, (ii) draws on one or more of the WIFIA Bonds (as defined and described herein) previously issued by the District on a draw-down basis, (iii) the proceeds of grants received from the Commonwealth of Virginia Department of Environmental Quality or other governmental third parties, (iv) the proceeds of new short-term interim subordinate bonds of the District, and (v) other District funds that may be available for such purpose. No assurance can be given, however, as to future market conditions, the availability of grants, or the availability of District funds in amounts sufficient to pay the principal of and interest on the Series 2025A Bonds. The District has not covenanted with the owners of the Series 2025A Bonds (or otherwise) to maintain liquidity at any particular level.

THE SERIES 2025A BONDS ARE SPECIAL, SUBORDINATE OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM THE NET REVENUES, ON A SUBORDINATE AND JUNIOR BASIS TO SENIOR OBLIGATIONS OF THE DISTRICT SECURED UNDER THE TRUST AGREEMENT, AND ANY OTHER FUNDS AVAILABLE FOR SUCH PURPOSE. SEE "SECURITY AND SOURCES OF PAYMENT" HEREIN. THE SERIES 2025A BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT, OR A PLEDGE OF THE FAITH AND CREDIT, OF THE COMMONWEALTH OF VIRGINIA OR OF ANY COUNTY, CITY, TOWN OR POLITICAL SUBDIVISION THEREOF. THE ISSUANCE OF THE SERIES 2025A BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE COMMONWEALTH OF VIRGINIA OR ANY COUNTY, CITY, TOWN OR POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Series 2025A Bonds are offered when, as and if issued, subject to the approving opinion of Norton Rose Fulbright US LLP, Washington, D.C., Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the District by its General Counsel, Sands Anderson PC, Richmond, Virginia, and for the Underwriters by Kaufman & Canoles, a Professional Corporation, Richmond, Virginia. The Series 2025A Bonds are expected to be available for delivery to The Depository Trust Company in New York, New York, on or about July 24, 2025.

J.P. Morgan**BofA Securities****Wells Fargo Securities****Raymond James**

July 8, 2025

\$223,860,000
Hampton Roads Sanitation District, Virginia
Subordinate Wastewater Revenue Bonds,
Series 2025A

MATURITY, AMOUNT, INTEREST RATE AND PRICE
CUSIP Number: 409327 MW0[†]

<u>Due</u> <u>July 15</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>
2026	\$223,860,000	5.00%	102.100%

[†] CUSIP® is a registered trademark of the American Bankers Association. The CUSIP number listed above is provided solely for the convenience of bondholders only, and the District does not make any representation with respect to such number or undertake any responsibility for its accuracy. The CUSIP number is subject to change after the issuance of the Series 2025A Bonds as a result of various subsequent actions.

HAMPTON ROADS SANITATION DISTRICT

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WILLIE LEVENSTON, JR. *Vice Chair*

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VISHNU K. LAKDAWALA, Ph.D.
ELIZABETH A. TARASKI, Ph.D.

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NANCY J. STERN
ANN W. TEMPLEMAN

STAFF

JAY A. BERNAS, P.E.
General Manager and Chief Executive Officer

STEVEN G. de MIK, CPA
*Deputy General Manager and
Chief Financial Officer*

EDDIE M. ABISAAB, P.E.
Chief Operating Officer

CHARLES B. BOTT, Ph.D., P.E.
Chief Technology Officer

MARY H. CORBY
Chief Information Officer

JAMIE HEISIG-MITCHELL
Chief of Water Quality

BRUCE W. HUSSELBEE, Ph.D.,
P.E.
Chief Engineer

BRENDA MATESIG
Acting Chief People Officer

LEILA E. RICE, APR
Chief Communications Officer

ELIZABETH I. SCOTT
Commission Secretary

COUNSEL, ADVISOR, FISCAL AGENT

SANDS ANDERSON PC
General Counsel

PFM FINANCIAL ADVISORS LLC
Municipal Advisor

NORTON ROSE FULBRIGHT US LLP
Bond Counsel

AQUALAW PLC
Special Counsel

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.
Fiscal Agent and Bond Registrar

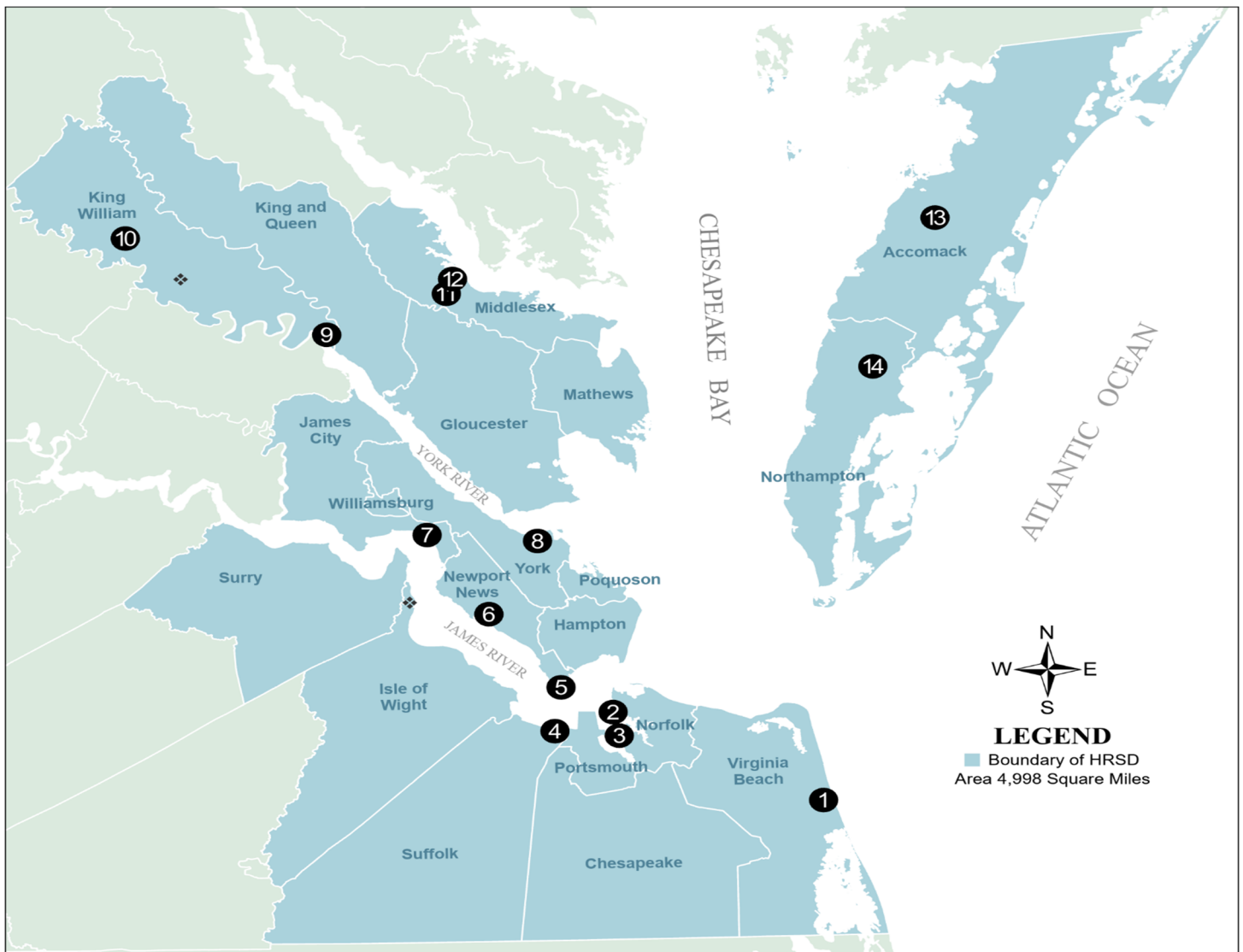
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HRSD Service Area

Facilities include the following:

- | | |
|------------------------------------|---|
| 1. Atlantic, Virginia Beach | 8. York River, York County |
| 2. Army Base, Norfolk | 9. West Point, King William County |
| 3. Virginia Initiative, Norfolk | 10. King William, King William County |
| 4. Nansemond, Suffolk | 11. Central Middlesex, Middlesex County |
| 5. Boat Harbor, Newport News | 12. Urbanna, Middlesex County |
| 6. James River, Newport News | 13. Onancock, Accomack County |
| 7. Williamsburg, James City County | 14. Nassawadox, Northampton County |

Serving the Cities of
Chesapeake, Hampton,
Newport News, Norfolk,
Poquoson, Portsmouth, Suffolk,
Virginia Beach, Williamsburg and the
Counties of Accomack, Gloucester,
Isle of Wight, James City,
King and Queen, King William,
Mathews, Middlesex, Northampton,
Surry* and York
*Excluding the Town of Claremont



CERTAIN STATEMENTS INCLUDED IN THIS OFFICIAL STATEMENT CONSTITUTE “FORWARD-LOOKING STATEMENTS” WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED, AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS ARE GENERALLY IDENTIFIABLE BY TERMS SUCH AS “PLAN,” “PROJECT,” “EXPECT,” “ANTICIPATE,” “INTEND,” “BELIEVE,” “ESTIMATE,” “BUDGET” OR OTHER SIMILAR WORDS. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVES KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY RESULTS, PERFORMANCES OR ACHIEVEMENTS EXPRESS OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. EXCEPT AS SPECIFICALLY SET FORTH HEREIN, THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS DUE TO CHANGES IN ITS EXPECTATIONS OR SUBSEQUENT EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED.

This Official Statement speaks as of its date except where specifically noted otherwise and is subject to change without notice. Neither the delivery of this Official Statement, nor any sale made hereunder, nor any filing of this Official Statement shall under any circumstances create an implication that there has been no change in the affairs of the District since the date of this Official Statement or imply that any information herein is accurate or complete as of any later date.

The Series 2025A Bonds are exempt from registration under the Securities Act of 1933, as amended. As obligations of a political subdivision of the Commonwealth of Virginia, the Series 2025A Bonds are also exempt from registration under the securities laws of Virginia.

No dealer, salesman or any other person has been authorized to give any information or to make any representation, other than the information and representations contained herein, in connection with the offering of the Series 2025A Bonds, and, if given or made, such information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Series 2025A Bonds in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibility to investors under the federal securities laws as applied to the facts and circumstances of the transactions contemplated by this Official Statement, but the Underwriters do not guarantee the accuracy or completeness of such information.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites and the information and links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, Securities and Exchange Commission Rule 15c2-12.

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Official Statement
Hampton Roads Sanitation District, Virginia
Relating to its
\$223,860,000
Subordinate Wastewater Revenue Bonds,
Series 2025A

INTRODUCTION

This Official Statement, which includes the cover and inside cover pages hereof, the map and the appendices hereto, sets forth information concerning the Hampton Roads Sanitation District (the “District” or “HRSD”) and the District’s \$223,860,000 aggregate principal amount of Subordinate Wastewater Revenue Bonds, Series 2025A (the “Series 2025A Bonds”).

The Series 2025A Bonds are being issued in accordance with the provisions of Chapter 66 of the Acts of Assembly of Virginia of 1960, as amended (the “Enabling Act”). On May 27, 2025, the Hampton Roads Sanitation District Commission (the “Commission”), the governing body of the District, adopted a resolution (the “Bond Resolution”) authorizing the issuance of the Series 2025A Bonds.

The District is issuing the Series 2025A Bonds to provide short-term interim financing for (i) a portion of the costs of the District’s Capital Improvement Program (as amended from time to time, the “Capital Improvement Program” or “CIP”) and (ii) certain expenses incurred in connection with the issuance of the Series 2025A Bonds by the District. See “PLAN OF FINANCING” and “SOURCES AND USES OF FUNDS” herein.

The Series 2025A Bonds are issued as Subordinate Obligations, within the meaning of the Trust Agreement, dated as of October 1, 2011, as amended and restated as of March 1, 2016, as amended, and as further amended and restated as of July 1, 2024, as supplemented (as so amended, restated and supplemented, the “Trust Agreement”), between the District and The Bank of New York Mellon Trust Company, N.A., as trustee (in such capacity, the “Trustee”), and are expressly subordinate and junior to the lien on Net Revenues (as defined in the Trust Agreement and described herein) created pursuant to the Trust Agreement in favor of Senior Obligations (as defined in the Trust Agreement) of the District. See “SECURITY AND SOURCES OF PAYMENT” herein.

THE SERIES 2025A BONDS ARE SPECIAL, SUBORDINATE OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM THE NET REVENUES, ON A SUBORDINATE AND JUNIOR BASIS TO SENIOR OBLIGATIONS OF THE DISTRICT SECURED UNDER THE TRUST AGREEMENT, AND ANY OTHER FUNDS AVAILABLE FOR SUCH PURPOSE. SEE “SECURITY AND SOURCES OF PAYMENT” HEREIN. THE SERIES 2025A BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT, OR A PLEDGE OF THE FAITH AND CREDIT, OF THE COMMONWEALTH OF VIRGINIA OR OF ANY COUNTY, CITY, TOWN OR POLITICAL SUBDIVISION THEREOF. THE ISSUANCE OF THE SERIES 2025A BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE COMMONWEALTH OF VIRGINIA OR ANY COUNTY, CITY, TOWN OR POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR.

This Official Statement contains a brief description of the Series 2025A Bonds and the District, including its service area, governance and information regarding its operations and finances.

Appendix A contains the District's Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2024, and includes additional information regarding the District's operations and financial condition.

PLAN OF FINANCING

Series 2025A Bonds

Proceeds of the Series 2025A Bonds will be applied to provide short-term interim financing for (i) a portion of the costs of the District's Capital Improvement Program, and (ii) certain expenses incurred in connection with the issuance of the Series 2025A Bonds by the District. See "THE SYSTEM – Capital Improvement Program."

Although the Commission has authorized multiple sources to repay the Series 2025A Bonds (see "– Future Financings" below), the District's current plan is to repay the Series 2025A Bonds with proceeds of the 2024 WIFIA Bond (as defined and described herein under "SECURITY AND SOURCES OF PAYMENT – Outstanding Senior Obligations – *WIFIA Bonds*"). The 2024 WIFIA Bond is authorized to fund the same projects that the District anticipates funding with proceeds of the Series 2025A Bonds. To date, the District has no outstanding draws on the 2024 WIFIA Bond. The 2024 WIFIA Bond has an interest rate of 4.15%. Based on current market conditions, the District anticipates that using the Series 2025A Bonds as short-term interim financing will generate debt service savings relative to drawing on the 2024 WIFIA Bond during construction.

As described under "THE SYSTEM – System Improvements and Innovations," the District has developed an innovative managed aquifer recharge program called the Sustainable Water Initiative for Tomorrow ("SWIFT"). The District anticipates that all or a significant portion of the proceeds of the Series 2025A Bonds will be used to provide short-term interim financing for a portion of the SWIFT construction at the District's Boat Harbor and Nansemond Treatment Plants. The District believes that SWIFT has multiple environmental benefits, including addressing the challenges of declining aquifer levels, land subsidence and saltwater intrusion, and providing regional nutrient credits for urban stormwater and other needs.

Future Financings

The District anticipates that it will finance a portion of its Capital Improvement Program through the issuance of additional Senior Obligations and Subordinate Obligations. See "SECURITY AND SOURCES OF PAYMENT – Outstanding Senior Obligations" and "– Additional Senior Obligations; Additional Subordinate Obligations." Any acceleration of the Capital Improvement Program could result in an acceleration of the timing and, potentially, an increase in the size of any issuance of indebtedness by the District.

The District has entered into a Second Amended and Restated Credit Agreement, dated as of June 30, 2022, with Bank of America, N.A., as further amended and supplemented (as so amended and supplemented, the "Credit Agreement"), pursuant to which the bank provided a revolving line of credit in the aggregate principal amount of up to \$300,000,000 (the "Line of Credit"). The most recent amendment to the Credit Agreement has extended its termination date to June 30, 2026. The Line of Credit constitutes a Subordinate Obligation under the Trust Agreement and is secured on a junior and subordinate basis from

the lien on Net Revenues securing Senior Obligations. As of July 8, 2025, the aggregate outstanding principal amount on the Line of Credit is \$92,461,694.56.

Because the Series 2025A Bonds provide short-term interim financing, the District contemplates (and the Commission has authorized) the principal of and the interest on the Series 2025A Bonds to be paid with one or more of the following: (i) the proceeds of bonds of the District issued as Senior Obligations under the Trust Agreement, (ii) draws on one or more of the WIFIA Bonds (as defined and described herein) previously issued by the District on a draw-down basis, (iii) the proceeds of grants received from the Commonwealth of Virginia Department of Environmental Quality or other governmental third parties, (iv) the proceeds of new short-term interim subordinate bonds of the District, and (v) other District funds that may be available for such purpose. No assurance can be given, however, as to future market conditions, the availability of grants, or the availability of District funds in amounts sufficient to pay the principal of and interest on the Series 2025A Bonds. The District has not covenanted with the owners of the Series 2025A Bonds (or otherwise) to maintain liquidity at any particular level.

SOURCES AND USES OF FUNDS

The estimated sources and uses of funds in connection with the issuance of the Series 2025A Bonds are set out in the table below.

Sources

Principal Amount of Series 2025A Bonds	\$223,860,000.00
Plus Premium	<u>4,701,060.00</u>
Total Sources of Funds	<u><u>\$228,561,060.00</u></u>

Uses

Capital Improvement Program Costs	\$227,851,403.18
Underwriters' Discount	266,676.82
Costs of Issuance	<u>442,980.00</u>
Total Uses of Funds	<u><u>\$228,561,060.00</u></u>

THE SERIES 2025A BONDS

Description

The Series 2025A Bonds will be dated, bear interest and mature as set forth on the cover and inside cover page of this Official Statement. Interest on the Series 2025A Bonds will be calculated on the basis of a 360-day year of twelve 30-day months. The Series 2025A Bonds are issuable as registered bonds without coupons in the denomination of \$5,000 or any whole multiple thereof, as provided in the Trust Agreement. Interest on the Series 2025A Bonds will be payable on January 15, 2026, and at maturity.

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2025A Bonds. The Series 2025A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for the Series 2025A

Bonds and will be deposited with DTC. Additional information respecting DTC and its book entry system is contained in Appendix D.

The information in this section and in Appendix D concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

DTC may discontinue providing its services as depository with respect to the Series 2025A Bonds at any time by giving reasonable notice to the District. Under such circumstances, if a successor depository is not obtained, certificates for the Series 2025A Bonds are required to be printed and delivered to the beneficial owners of the Series 2025A Bonds.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates for the Series 2025A Bonds will be printed and delivered to the beneficial owners of the Series 2025A Bonds.

Series 2025A Bonds Not Subject to Redemption

The Series 2025A Bonds are not subject to redemption prior to maturity.

SECURITY AND SOURCES OF PAYMENT

THE SERIES 2025A BONDS ARE SPECIAL, SUBORDINATE OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM THE NET REVENUES, ON A SUBORDINATE AND JUNIOR BASIS TO SENIOR OBLIGATIONS OF THE DISTRICT SECURED UNDER THE TRUST AGREEMENT, AND ANY OTHER FUNDS AVAILABLE FOR SUCH PURPOSE. THE SERIES 2025A BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT, OR A PLEDGE OF THE FAITH AND CREDIT, OF THE COMMONWEALTH OF VIRGINIA OR OF ANY COUNTY, CITY, TOWN OR POLITICAL SUBDIVISION THEREOF. THE ISSUANCE OF THE SERIES 2025A BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE COMMONWEALTH OF VIRGINIA OR ANY COUNTY, CITY, TOWN OR POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR.

General; Subordination to Senior Obligations

The Series 2025A Bonds are Subordinate Obligations, within the meaning of the Trust Agreement. The District's Net Revenues (as defined in the Trust Agreement) are pledged to secure the payment of the principal of and interest on the Series 2025A Bonds. The Series 2025A Bonds and such pledge of Net Revenues shall be expressly subordinate and junior to the Lien (as defined in the Trust Agreement) on Net Revenues created pursuant to the Trust Agreement in favor of Senior Obligations (as defined in the Trust Agreement) of the District, to the extent and in the manner described below.

Under the Trust Agreement, in the event (a) of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization, arrangement or other similar proceedings in connection therewith, relative to the District or to its property, or in the event of any proceedings for voluntary liquidation, dissolution or other winding-up of the District whether or not involving insolvency or bankruptcy, (b) any Subordinate Obligation is declared or otherwise becomes due and payable before its expressed maturity because of the occurrence of an event of default occurring under the documents pursuant to which such Subordinate Obligation is issued, and such declaration has not been rescinded and annulled, or (c) any event of default under the Trust Agreement shall occur and be continuing with respect to any Senior Obligation

and (1) written notice of such default shall have been given to the District and (2) judicial proceedings shall be commenced in respect of such event of default within 180 days in the case of a default in payment of principal or interest on Senior Obligations and within 90 days in the case of any other default after the giving of such notice, then the Holders of Senior Obligations shall be entitled to receive payment in full of all principal, premium and interest on all Senior Obligations before the Holders of the Subordinate Obligations are entitled to receive any payment on account of principal or interest upon the Subordinate Obligations.

Authorized Sources of Repayment for Series 2025A Bonds

Because the Series 2025A Bonds provide short-term interim financing, the District contemplates (and the Commission has authorized) the principal of and the interest on the Series 2025A Bonds to be paid with one or more of the following: (i) the proceeds of bonds of the District issued as Senior Obligations under the Trust Agreement, (ii) draws on one or more of the WIFIA Bonds (as defined and described herein) previously issued by the District on a draw-down basis, (iii) the proceeds of grants received from the Commonwealth of Virginia Department of Environmental Quality or other governmental third parties, (iv) the proceeds of new short-term interim subordinate bonds of the District, and (v) other District funds that may be available for such purpose.

The District's current plan is to repay the Series 2025A Bonds with draws on the 2024 WIFIA Bond, as described below under "– Outstanding Senior Obligations – *WIFIA Bonds*." No assurance can be given, however, as to future market conditions, the availability of grants, or the availability of District funds in amounts sufficient to pay the principal of and interest on the Series 2025A Bonds. The District has not covenanted with owners of the Series 2025A Bonds (or otherwise) to maintain liquidity at any particular level.

No Financial Covenants for Series 2025A Bonds; No Rights Under Trust Agreement

The owners of the Series 2025A Bonds do not benefit from any financial or operating covenants of the District.

In addition, the Trust Agreement states that it does not confer upon any person, firm or corporation, other than the Trustee, the Bond Registrar for the Senior Bonds (as defined below), the District and the owners of the Senior Obligations, any right, remedy or claim, legal or equitable, under or by reason of the Trust Agreement or any provision being intended to be for the sole and exclusive benefit of the Trustee, the District, the Bond Registrar for the Senior Bonds and the owners of the Senior Obligations.

Outstanding Senior Obligations

Under the Trust Agreement, the Series 2025A Bonds are expressly subordinate and junior to the Lien on Net Revenues (each as defined in the Trust Agreement) created pursuant to the Trust Agreement in favor of Senior Obligations (as defined in the Trust Agreement) of the District.

Set out below is a description of the Senior Obligations outstanding as of July 8, 2025. The bonds of the District described under the sub-captions "– *Publicly Held Bonds*" and "– *WIFIA Bonds*" below are referred to collectively herein as "Senior Bonds."

Publicly Held Bonds. As of July 8, 2025, the District has outstanding seven series of publicly held Bonds constituting Senior Obligations under the Trust Agreement, including its Wastewater Revenue Bonds, Series 2016A (the "Series 2016A Bonds"), of which \$77,040,000 principal amount is outstanding, its variable rate Wastewater Revenue Bonds, Series 2016B (the "Series 2016B Bonds," and together with

the Series 2016A Bonds, the “Series 2016 Bonds”), of which \$50,000,000 principal amount is outstanding, its Wastewater Revenue Bonds, Refunding Series 2017A (the “Series 2017 Bonds”), of which \$72,055,000 principal amount is outstanding, its Wastewater Revenue Bonds, Series 2018A (the “Series 2018 Bonds”), of which \$14,745,000 principal amount is outstanding, its Wastewater Revenue Bonds, Refunding Series 2019A (Federally Taxable) (the “Series 2019 Bonds”), of which \$189,465,000 principal amount is outstanding, its Wastewater Revenue Bonds, Refunding Series 2024A (the “Series 2024A Bonds”), of which \$98,270,000 principal amount is outstanding, and its Wastewater Revenue Bonds, Series 2024B (the “Series 2024B Bonds”), of which \$240,775,000 principal amount is outstanding.

WIFIA Bonds. The District issued its Wastewater Revenue Bond, Series 2020 (Federally Taxable) (the “2020 WIFIA Bond”), its Wastewater Revenue Bond, Series 2021 (Federally Taxable) (the “2021 WIFIA Bond”), and its Wastewater Revenue Bond, Series 2024C (Federally Taxable) (the “2024 WIFIA Bond”) to the United States Environmental Protection Agency (the “WIFIA Lender”) in accordance with the Water Infrastructure Finance and Innovation Act of 2014, as amended, and pursuant to the terms of the WIFIA Master Agreement, dated as of September 28, 2020 (the “WIFIA Master Agreement”), and the separate WIFIA Loan Agreements with respect to each such Bond (the “WIFIA Loan Agreements”), each by and between the WIFIA Lender and the District. Proceeds of the 2020 WIFIA Bond will be used to finance the District’s SWIFT – Tranche 1 Project, proceeds of the 2021 WIFIA Bond will be used to finance the District’s SWIFT – Tranche 2 Project, and proceeds of the 2024 WIFIA Bond will be used to finance the District’s SWIFT – Tranche 3 Project.

The 2020 WIFIA Bond, the 2021 WIFIA Bond, and the 2024 WIFIA Bond are secured as Senior Obligations under the Trust Agreement and are referred to herein, collectively with any other Senior Obligations issued to the WIFIA Lender under the WIFIA Master Agreement, as “WIFIA Bonds.”

The 2020 WIFIA Bond is in the principal amount of up to \$225,865,648, bearing interest on the amount drawn under the related WIFIA Loan Agreement at the rate of 1.42% per annum. The final maturity date of the 2020 WIFIA Bond is the earlier of (a) April 1, 2060, and (b) the principal payment date thereon immediately preceding the date that is 35 years following the Substantial Completion Date, as defined in the WIFIA Master Agreement.

The 2021 WIFIA Bond is in the principal amount of up to \$476,581,587, plus interest that may be capitalized in accordance with the related WIFIA Loan Agreement and added to the principal amount of the 2021 WIFIA Bond, subject to a maximum accreted amount of \$528,581,587. The 2021 WIFIA Bond bears interest at the rate of 1.95% per annum. The final maturity date of the 2021 WIFIA Bond is the earlier of (a) June 1, 2060, and (b) the principal payment date thereon immediately preceding the date that is 35 years following the Substantial Completion Date, as defined in the WIFIA Master Agreement.

The 2024 WIFIA Bond is in the principal amount of up to \$268,087,870, bearing interest on the amount drawn under the related WIFIA Loan Agreement at the rate of 4.15% per annum. The final maturity date of the 2024 WIFIA Bond is the earlier of (a) January 1, 2059, and (b) the principal payment date thereon immediately preceding the date that is 35 years following the Substantial Completion Date, as defined in the WIFIA Master Agreement.

As of July 8, 2025, (i) the 2020 WIFIA Bond was fully drawn, with an outstanding principal amount of \$225,865,648, (ii) the 2021 WIFIA Bond was fully drawn upon, with an outstanding principal amount of \$484,534,718 (including accreted capitalized interest), and (iii) the 2024 WIFIA Bond has not been drawn upon, leaving an undrawn principal amount of \$268,087,870.

VRA Revolving Loan Fund Indebtedness. Since 1993 the District has borrowed over \$453 million from the Virginia Clean Water Revolving Loan Fund administered by the Virginia Resources Authority

and issued, in evidence of its obligations to repay such loans, 25 issues of bonds that are outstanding Senior Indebtedness and recognized as such under the Trust Agreement (the “VRA Obligations” and collectively, with the Series 2016 Bonds, the Series 2017 Bonds, the Series 2018 Bonds, the Series 2019 Bonds, the Series 2024A Bonds, the Series 2024B Bonds, the WIFIA Bonds, and other Senior Bonds or additional VRA Obligations issued from time to time under the provisions of the Trust Agreement, the “Senior Obligations”). As of July 8, 2025, the outstanding drawn amount of the VRA Obligations was \$400,779,525, with \$11,849,951 in undrawn authorized amounts.

Generally, after an initial period where no interest accrues on such VRA Obligations, interest accrues on the disbursed principal of the outstanding VRA Obligations at interest rates ranging from 1.0% to 2.85% per annum, and principal and interest are payable in installments over the terms of the VRA Obligations. The VRA Obligations have been issued for various improvements and upgrades at several of the District’s treatment plants. The Senior Bonds are on parity under the Trust Agreement with the Outstanding VRA Obligations as to their lien on the Net Revenues of the District.

Additional Senior Obligations; Additional Subordinate Obligations

Under the Trust Agreement, the District may issue additional Senior Obligations, including additional Senior Bonds and VRA Obligations, for the District’s Capital Improvement Program or to refund outstanding Senior Obligations subject to the District’s demonstrating its compliance with the conditions for the incurrence thereof under the Trust Agreement or qualifying for an exception thereto. The District anticipates that it will finance a portion of its Capital Improvement Program with future issues of additional Senior Obligations.

The District may also issue additional Subordinate Obligations (on a parity with the Series 2025A Bonds) without limitation.

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DEBT SERVICE REQUIREMENTS FOR SENIOR OBLIGATIONS

Fiscal Year Ending June 30	Outstanding Senior Obligation Debt Service ^(1,2)
2026	\$100,153,072
2027	105,226,617
2028	101,873,333
2029	111,745,889
2030	111,564,872
2031	112,104,172
2032	107,327,729
2033	105,486,461
2034	104,547,651
2035	104,107,927
2036	101,211,757
2037	101,285,311
2038	101,062,260
2039	89,080,871
2040	88,801,184
2041	89,056,218
2042	89,394,943
2043	89,537,887
2044	89,535,906
2045	89,676,014
2046	89,353,403
2047	89,427,452
2048	89,585,365
2049	89,538,639
2050	89,984,592
2051	89,927,149
2052	89,940,095
2053	89,920,613
2054	89,916,905
2055	89,893,042
2056	89,852,470
2057	89,844,219
2058	89,829,603
2059	89,770,835
2060	40,595,047
TOTAL ⁽³⁾	<u>\$3,290,158,504</u>

⁽¹⁾ Total Principal and Interest payments on the District's Senior Obligations as of July 8, 2025. Assumes the District makes the maximum allowable draws on the WIFIA Bonds and the VRA Obligations, including the portions of such loans that are undrawn as of the date of this Official Statement. Includes assumed debt service on the 2024 WIFIA Bond, which the District anticipates using to repay the Series 2025A Bonds. See " – Outstanding Senior Obligations – *WIFIA Bonds*" and " – *VRA Revolving Loan Fund Indebtedness*" above.

⁽²⁾ The Series 2016B Bonds, which constitute Variable Rate Indebtedness, are assumed to bear interest at the rate of 3.06% per annum, which is 120% of the average rate on the Series 2016B Bonds during the first quarter of 2025. No assurance can be given, however, that the rates on the Series 2016B Bonds will not be higher than assumed above.

⁽³⁾ Totals may not add to totals due to rounding. Debt service is shown in the fiscal year in which the same comes due.

HAMPTON ROADS SANITATION DISTRICT

Authorization and Purpose

Creation of the District was approved in a 1940 public referendum authorized by the Virginia General Assembly. A political subdivision of the Commonwealth of Virginia (the “Commonwealth”), the District was established as a governmental instrumentality to provide for the public health and welfare. Chapter 66, Acts of the Assembly of 1960, validated and confirmed prior legislation creating the District and repealed earlier acts of the Virginia General Assembly enacted with respect to the District.

The District was created for the specific purpose of abating pollution in the Hampton Roads area of Virginia through the interception of existing wastewater outfalls, the construction of wastewater treatment facilities and the installation of interceptors throughout the service area. The District does not provide water, solid waste disposal or storm water mitigation. The cities, counties and military establishments the District serves provide those services. With the exception of the Counties of Accomack, King William, King and Queen, Middlesex, Mathews, Northampton, and Surry, excluding the Town of Claremont, the collection system, consisting of lateral sewers and sub trunk facilities that carry wastewater from industries, homes, apartments and businesses to the District’s interceptor system, are the responsibility of the various cities, counties and military establishments within the District.

The District is a separate legal entity from the various cities, towns, counties and military establishments within the District. See “ – The Commission” below.

History

The District traces its origins to 1925, when the Virginia Department of Health condemned a large oyster producing area in Hampton Roads. The closure resulted in the Virginia General Assembly creating in 1927 a “Commission to Investigate and Survey the Seafood Industry of Virginia.” Subsequent studies recommended a public body to construct and operate a sewage system in the area.

In 1934, the Virginia General Assembly created the Hampton Roads Sanitation Disposal Commission with instructions to plan the elimination of pollution in Hampton Roads. Recommendations were made to the General Assembly which resulted in the Sanitary Districts Law of 1938, along with “An Act to provide for and create the Hampton Roads Sanitation District.” In a referendum held on November 5, 1940, a majority of the voters approved the creation of the District.

The District’s first construction project, the Warwick County Trunk Sewer, began on June 26, 1946. The District commenced operations on July 1, 1946, using facilities acquired from the United States Government. The District’s first treatment plant, the Army Base Plant, commenced operations on October 14, 1947. Since that time, the facilities of the District have been expanded to provide wastewater treatment service to all major population centers within its boundaries.

The Commission

The District operates under the direction of its governing body, the Hampton Roads Sanitation District Commission (the “Commission”), comprised of eight members appointed by the Governor for staggered terms of four years. Members of the Commission may be reappointed without limitation and may be suspended or removed by the Governor at his pleasure. The Commission annually elects one of its members as Chair and another as Vice Chair. Under the Enabling Act, the eight members of the Commission must be residents of the cities and counties of the District as follows: one member from the City of Norfolk; one from the City of Virginia Beach; one from the City of Newport News, the City of

Williamsburg or James City County; one from the City of Hampton or the City of Poquoson or York County; one from the City of Chesapeake; one from the City of Suffolk, Isle of Wight County or Surry County; one from Accomack County, Northampton County, Gloucester County, King William County, Mathews County, Middlesex County, or King and Queen County; and one from the City of Portsmouth.

The Commission is empowered, among other things, to (1) construct and improve, extend, enlarge, reconstruct, maintain, equip, repair and operate a wastewater system or systems, either within or without or partly within and partly without the corporate limits of the District, and to construct wastewater improvements within the corporate limits of the District, (2) issue the District's bonds, payable solely from revenues, to pay all or part of the cost of a wastewater system, (3) fix, revise, charge and collect rates, fees and charges for the use of and for the services of any system operated by the District, (4) enter into contracts with the United States of America or any agency or instrumentality thereof, or with any county, city, town or political subdivision or any sanitary district, private corporation, partnership, association or individual, relating to the furnishing of services of the District, and (5) acquire real or personal property necessary in connection with wastewater systems or wastewater improvements.

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The current members of the Commission and their biographies are set forth below.

<u>Commissioners</u>	<u>Residence</u>	<u>Occupation</u>	<u>Term Expires June 7,</u>
Stephen C. Rodriguez, <i>Chair</i>	Chesapeake	Inspector, VDOT Construction Division	2028
Willie Levenston, Jr., <i>Vice Chair</i>	Portsmouth	Retired Supervisor Electronics Engineer, Norfolk Naval Shipyard	2027
Frederick N. Elofson, CPA,	Newport News	Retired Certified Public Accountant and Personal Financial Specialist, Dixon Hughes Goodman LLP	2026
Michael E. Glenn	Norfolk	President, Luna Development Services, LLC	2027
Vishnu K. Lakdawala, Ph.D.	Virginia Beach	Associate Professor, Electrical and Computer Engineering, Old Dominion University	2026
Nancy J. Stern	Belle Haven	Retired Chief Executive Officer, Eastern Shore Rural Health System	2029
Elizabeth A. Taraski, Ph.D.	Suffolk	Retired President/CEO, Nansemond River Preservation Alliance	2029
Ann W. Templeman	Hampton	Senior Business Support Analyst, Virginia Natural Gas	2028

Stephen C. Rodriguez, Chair. Mr. Rodriguez, a member of the Commission since October 5, 2012, is the retired owner and president of Cruco Inc., which provided construction services in Hampton Roads. He currently works in the Construction Division for the Virginia Department of Transportation (VDOT). Mr. Rodriguez previously served as chair of the Foundation for Virginia Natural Resources, chair of the OBX Hospital Board, and past president of the Deep Creek Ruritan Club. He has also served on the Chesapeake School Board, the Chesapeake Hospital Authority, the Chesapeake Economic Development Authority, and the board of directors of Opportunity, Inc. He is an alumnus of Old Dominion University and holds a bachelor's degree in civil engineering technology and a certificate in civic leadership. Mr. Rodriguez resides in the City of Chesapeake.

Willie Levenston, Jr., Vice Chair. Mr. Levenston, a member of the Commission since September 9, 2014, earned his Bachelor of Science in Engineering from Southern University in Baton Rouge, Louisiana. He retired from the Norfolk Naval Shipyard in 2008 after more than 40 years of service. In his capacity as Supervisor Electronics Engineer, Mr. Levenston was responsible for Surface Ship Exterior

Radio Communications, Secure/Communication Information Processing, Naval Tactical Data Systems, Search Radar, Electronics Countermeasure/Navigational Aids, and the Submarine Communication sections. Mr. Levenston resides in the City of Portsmouth.

Frederick N. Elofson, CPA, Commissioner. Mr. Elofson, a member of the Commission since July 1, 2006, is a Certified Public Accountant and retired senior partner in Dixon Hughes Goodman LLP, in Newport News. He earned a bachelor's degree in accounting from West Virginia University and has nearly 40 years of accounting experience. A former chair of the board and treasurer of the Peninsula Chamber of Commerce, Mr. Elofson remains active in numerous professional and civic organizations. He is a past treasurer and board member of the Schooner Virginia Project, a past president of the Peninsula Estate Planning Council, treasurer and Sunday School teacher at First Baptist Church Newport News, member of the Committee on Investments for the City of Newport News Retirement Fund and has been honored as a Chamber of Commerce Volunteer of the Year. Mr. Elofson resides in the City of Newport News.

Michael E. Glenn, Commissioner. Mr. Glenn, a member of the Commission since May 13, 2008, is president of Luna Development Services, LLC. The firm, which offers full-service general contracting and real estate development services, is a Certified Virginia Minority Business Enterprise. Before founding his firm in 2004, Mr. Glenn was Director of Operations, Real Estate Services and Contracts for Troutman Sanders, LLP. He also has served as a development executive for Armada Hoffer Development and as a Wachovia Bank vice president. Mr. Glenn received a bachelor's degree in psychology, with a minor in biology, from Old Dominion University. Mr. Glenn resides in the City of Norfolk.

Vishnu K. Lakdawala, Ph.D., Commissioner. Dr. Lakdawala, a member of the Commission since June 8, 2002, obtained his undergraduate degree in electrical engineering from Bangalore University in India in 1972 and his Master of Engineering in High Voltage Engineering from Indian Institute of Science in 1974. He worked as Research and Development Engineer in Jyoti Limited for three years in the high voltage instrument transformers division. He received his Ph.D. in electrical engineering from the University of Liverpool in 1980. After serving as senior research associate in the Department of Electrical Engineering and Electronics in the University of Liverpool for a year, he joined Oak Ridge National Laboratory, Oak Ridge, Tennessee, where he conducted research for a year. He joined the faculty of Old Dominion University in 1983 as Assistant Professor in the Department of Electrical and Computer Engineering. He is currently the Chief Departmental Advisor and Associate Professor of Electrical and Computer Engineering. Dr. Lakdawala has served as the president and chairman of the Board of Trustees of the Hindu Temple of Hampton Roads. Dr. Lakdawala received the National Association of Clean Water Agencies ("NACWA") 2019 National Environmental Achievement Award for Local Public Service, honoring his transformative leadership, technical understanding, focus on community engagement, and deep commitment to the environment as an HRSD Commissioner. Dr. Lakdawala resides in the City of Virginia Beach.

Nancy J. Stern, Commissioner. Ms. Stern, a member of the Commission since August 6, 2021, served the Eastern Shore Rural Health System, Inc. for over 30 years in various positions, recently retiring as Chief Executive Officer. Her prior roles there include Chief Operating Officer, Director of Human Resources and Director of Health Education. She served on Governor Bob McDonnell's Task Force and ConnectVA Governing Board, and on Governor Tim Kaine's Health Reform Commission. Ms. Stern also served on the board of the Virginia Primary Care/Virginia Community Healthcare Association for 18 years with three of those years as Board President. She earned a Bachelor of Science from West Chester University and earned Certification in Health Care Management/Administration from Old Dominion University. Ms. Stern resides in Belle Haven, Virginia.

Elizabeth A. Taraski, Ph.D., Commissioner. Dr. Taraski, a member of the Commission since June 8, 2017, Dr. Taraski retired in 2023 after serving 12 years as President/CEO of the Nansemond River

Preservation Alliance in Suffolk, Virginia. Previously she served in senior fundraising management positions at Old Dominion University and the University of Richmond. Before moving to Virginia in 1998, Dr. Taraski served as the Director, Administration and Industrial Relations, Multi-lifecycle Engineering Research Center, New Jersey Institute of Technology. Dr. Taraski currently serves as the Community Chair, Former Nansmond Ordnance Depot (FNOD) Restoration Advisory Board. Dr. Taraski has been a member of the Suffolk Rotary since 2016 and served as the Club's President in 2023. Other community activities include the Southeastern Virginia Community Foundation Scholarship Committee and Suffolk Business Women's Club. Dr. Taraski holds a Ph.D. from Seton Hall University; a Master of Science degree from New York University and a Master of Education degree from Rutgers University and completed her doctoral internship at the Alfred P. Sloan Foundation, NYC. Dr. Taraski resides in the City of Suffolk.

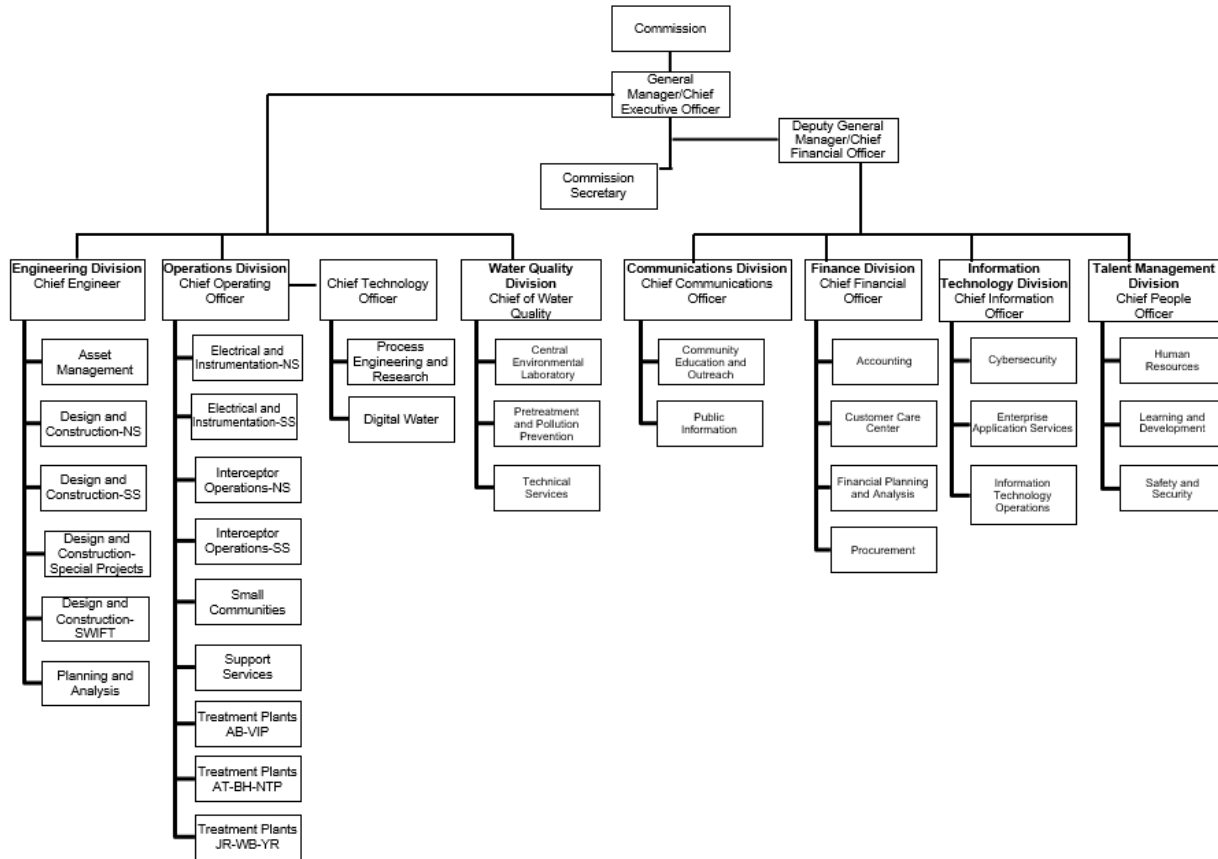
Ann W. Templeman, Commissioner. Ms. Templeman, a member of the Commission since December 3, 2021, is a Senior Business Support Analyst for Virginia Natural Gas with more than 30 years of experience in a variety of areas critical to effective utility management. She earned a Masters of Business Administration from Old Dominion University and a Bachelor of Science in Business Management from Virginia Tech. Ms. Templeman previously served on the Commission from January 27, 2017, until May 1, 2019. Ms. Templeman resides in the City of Hampton.

Management and Staff

The District is managed through seven divisions, which are organized into functional departments with their principal responsibilities summarized after the District's organizational chart set out on the following page.

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HRSD Organizational Chart



Communication

- Community Relations: Develops and provides community outreach and engagement around HRSD construction, infrastructure development and new initiatives.
- Community Education: Develops and provides educational materials, presentations, facility tours and outreach related to HRSD's services, mission and vision.

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Engineering

- Design & Construction: Delivers capital projects in a manner consistent with HRSD's quality standards.
- Planning & Analysis: Manages numerous diverse functions including Hydraulic Modeling, Geographic Information System (GIS), Data Analysis and Records Management System and plans the capital infrastructure required to meet the region's future wastewater needs.
- Asset Management: Responsible for the Computerized Maintenance Management System (CMMS), Condition Assessment, and Emergency Management procedures to extend the life of assets at the lowest life cycle cost.

Finance

- Accounting: Handles fiscal affairs such as preparing financial statements, budgets, management reports and payroll.
- Procurement: Responsible for purchasing, renting, leasing or otherwise acquiring goods, professional and non-professional services, and certain construction services, managing supplier relationships and disposing of surplus property.
- Customer Care Center: Handles billing, payments, collections, maintenance of customer accounts and liaison with HRSD's customers.
- Financial Planning and Analysis: Responsible for planning and financing the Capital Improvement Program (CIP), debt management and grants compliance and is the functional lead for the Enterprise Resource Process system.

Information Technology

- Enterprise Data Services: Responsible for application integration and support, data management and systems analysis and support.
- Cybersecurity: Responsible for ensuring the confidentiality, integrity and availability of all HRSD infrastructure, information systems and business data from malicious threats.
- Information Technology Operations: Supports departments in achieving their goals and objectives, providing the requisite hardware, software, storage and network connectivity to meet business and operational requirements.

Operations

- Electrical and Energy Management: Researches innovative, cost-effective ways of managing HRSD's energy consumption more effectively.
- Interceptor Operations North Shore: Operates and maintains miles of interceptor pipelines and pump stations ensuring wastewater is conveyed to each treatment plant in the Cities of Hampton, Newport News, Poquoson and Williamsburg, the Counties of Gloucester, James City and York.
- Interceptor Operations South Shore: Operates and maintains miles of interceptor pipelines and pump stations ensuring wastewater is conveyed to each treatment plant in the Cities of Chesapeake, Norfolk, Portsmouth, Suffolk and Virginia Beach and the County of Isle of Wight.
- Small Communities: Operates and maintains the treatment plants and associated sewer collection systems in the Counties of the Middle Peninsula and the Town of West Point, the County of Surry, and Towns of Nassawadox and Onancock on the Eastern Shore.
- Support Systems: Responsible for the maintenance of the HRSD fleet, all buildings, operation of two carpentry shops, a full-service machine shop and managing an infrastructure assessment team.
- Treatment: Operates and maintains the Army Base, Atlantic, Virginia Initiative, Boat Harbor, James River, Nansemond, Williamsburg and York River treatment plants.
- Technology: Researches new technologies with a focus on rapid deployment of innovative solutions and water quality.

Talent Management

- Human Resources (HR): Responsible for recruitment and outreach, new employee onboarding, benefits administration, compensation and classification, employee relations, HRSD's wellness program, workers' compensation, employee records, retirement, and HR policies.
- Organizational Development and Training: Oversees HRSD's Apprenticeship Program and is dedicated to developing and supporting HRSD's strategic plan and key initiatives to promote training, and education.
- Safety and Security: Responsible for Occupational Safety & Health Compliance, safety programs, employee safety training, safety records, industrial hygiene monitoring, occupational health screening, safety audits, accident investigations, compliance reporting, and risk management support.

Water Quality

- Central Environmental Laboratory: Uses the Environmental Data Management System (EDMS) and other tools to provide analytical support for numerous monitoring, research and regulatory purposes.
- Pretreatment & Pollution Prevention: Monitors wastewater conveyed to treatment plants using the Pretreatment Information Management System (PIMS) and other tools, and implements its Industrial Wastewater Discharge Regulations to protect treatment plant staff, facilities and processes, in addition to ensuring protection of water quality and the beneficial reuse of recovered resources.
- Technical Services: Responsible for activities including environmental monitoring, specialized sampling, treatment process and research studies, the Municipal Assistance Program (MAP) to assist localities, state and federal regulatory advocacy, as well as all reporting required by HRSD permits.

The District's administration is overseen by a General Manager/Chief Executive Officer, supported by eight chiefs and their staffs. For Fiscal Year 2026, the District has budgeted for 969 full-time employees. Current staffing is sufficient to operate all existing facilities. None of its employees is currently represented by a union.

The following individuals are responsible for the daily management and affairs of the District (with titles changed, where appropriate, to conform to the District's current organizational chart).

Jay A. Bernas, P.E., MBA, General Manager and Chief Executive Officer

Jay Bernas was promoted to General Manager and Chief Executive Officer in February 2022. Before his promotion to General Manager and Chief Executive Officer, Mr. Bernas served as Chief Financial Officer for six years, Director of Planning and Analysis for 10 years, and was responsible for planning HRSD's Capital Improvement Program, performing business case analyses, system capacity analyses to support regional growth and managing four technical sections: Geographic Information Systems, Data Analysis, Hydraulic Modeling and Capital Planning. Prior to joining HRSD, he was a project manager with the City of Virginia Beach. Mr. Bernas graduated from Old Dominion University in 1995 with a bachelor's degree in Civil Engineering and earned his MBA from the College of William and Mary in 2013. He also has completed the Kenan-Flagler Water and Wastewater Leadership Program and was part of the 2008 class for LEAD Hampton Roads. He received the George Robert House, Jr. Award for the young public administrator of the year from the American Society for the Public Administration in 2006 and was recognized by Inside Business as a "Top Forty under 40" in 2011. Appointed by the Virginia Beach City Council to serve on the Planning Commission from 2006-2013, Mr. Bernas was its chair for the last two years of his tenure. He was elected to the Board of Trustees for the \$1.4 billion Virginia Investment Pool in 2018 and serves on the audit subcommittee. He was elected in 2020 to the Board of Directors of the National Association of Clean Water Agencies (NACWA), a national leader in clean water advocacy, and serves on NACWA's audit committee.

Steven G. de Mik, CPA, MBA, Deputy General Manager and Chief Financial Officer

Steve de Mik, who joined HRSD in 2008, was promoted to Deputy General Manager and Chief Financial Officer in July 2022. Mr. de Mik provides broad oversight and strategic direction to various divisions, specifically Finance, Information Technology, Talent Management and Communications. He previously served as Chief Operating Officer from 2015 to 2022. In that role, he led a staff of over 500 responsible for the complex operation and maintenance of HRSD's treatment plants, interceptor systems, and electrical and instrumentation infrastructure as well as various support services. His initial role at HRSD was Chief Financial Officer, where he was responsible for HRSD's general financial and business functions, including financial reporting, investment portfolio, debt and risk management, and customer billing. Before joining HRSD, Mr. de Mik served for seven years as the Director of Finance and Business Services for the City of Norfolk. A certified public accountant, he holds an MBA from the College of William and Mary and has completed the Kenan-Flagler Water and Wastewater Leadership Program, the Virginia Natural Resources Leadership Program and CIVIC Leadership Institute. He received a bachelor's degree in accounting and business administration from Southwest Baptist University in Bolivar, Missouri. Mr. de Mik also serves as a board chair and treasurer for Heart for Orphans, a nonprofit organization based in the City of Williamsburg, Virginia.

Eddie M. Abisaab, PE, PMP, ENV SP, Chief Operating Officer

Eddie Abisaab joined HRSD in 2008 and was named Chief Operating Officer in July 2022. In that role, he leads a staff of over 530 who are responsible for the complex operation and maintenance of HRSD's treatment plants, interceptor collection systems, water technology and research, and electrical and instrumentation infrastructure as well as various support services such as fleet management, infrastructure assessment, carpentry, and a machine shop. In his previous position as the Director of Design and Construction on North Shore, Mr. Abisaab was responsible for the execution of HRSD's Capital Improvement and Operational Infrastructure projects. Prior to joining HRSD, he worked as an engineer and project manager for both the private and public sectors. Mr. Abisaab holds a Bachelor of Science in Civil Engineering from West Virginia University, and a Master of Science in Engineering Management from Marshall University. He is a licensed Professional Engineer (PE), Project Management Professional (PMP), and certified by the Institute for Sustainable Infrastructure (ISI) as an Envision Sustainability

Professional (ENV SP). Mr. Abisaab is actively involved with the Water Environment Federation (WEF) and served for four years on the Board of Directors of the Virginia Water Environment Association (VWEA) and as President in 2016-2017. He is also currently serving as VWEA's Secretary/Treasurer.

Charles B. Bott, Ph.D., P.E., Chief Technology Officer

Dr. Charles B. Bott joined HRSD in 2009 and is the Chief Technology Officer. He manages technology innovation and research and development for HRSD's wastewater treatment plants and interceptor system. Dr. Bott is also an Adjunct Professor in the Departments of Civil and Environmental Engineering at Virginia Polytechnic Institute and State University ("Virginia Tech") and Old Dominion University. He was formerly an Associate Professor in the Department of Civil and Environmental Engineering at the Virginia Military Institute and a consulting engineer with Parsons Engineering Science. Dr. Bott has a bachelor's degree in Civil Engineering from the Virginia Military Institute, a master's degree in Environmental Engineering from the Johns Hopkins University, and a Ph.D. in Civil and Environmental Engineering from Virginia Tech. He is a fellow of the WEF and a member of the Science and Technology Advisory Committee to the Chesapeake Bay Program Executive Council, and a member of the National Science Foundation Engineering Directorate Advisory Committee. Dr. Bott is a professional engineer in Virginia, a board certified Environmental Engineer, and a licensed Wastewater Treatment Plant Operator – Virginia Class I. He is a two-time winner of the WEF Harrison Prescott Eddy Medal for outstanding contribution to wastewater principles/processes research, he was a previous member of the WEF Board of Trustees. Dr. Bott's technical interests include municipal and industrial wastewater treatment, process engineering as well as renewable energy generation and resource efficiency. He has specific expertise in the areas of advanced water treatment technologies, chemical and biological phosphorus removal, nitrification/denitrification, nutrient recovery, deammonification/anammox, biological treatment process modeling and design, and biogas conditioning. Important areas of focus are mainstream shortcut nitrogen removal, processes for biological treatment intensification, and technologies for potable reuse.

Mary H. Corby, Chief Information Officer

Mary Corby became Chief Information Officer in November 2024. She joined HRSD in October 1996 as a Programmer Analyst working on enterprise financial systems for the Finance and Administration division. She has held a variety of roles over the years at HRSD, with her last position being the Director of Enterprise Application Services. Ms. Corby has over 34 years of professional experience in the technology and utility industry. Ms. Corby received a Bachelor of Science degree in Computer Information Systems from High Point University, is a member of WEF, the Water and Wastewater CIO Forum, and has completed the Kenan-Flagler Water and Wastewater Leadership Program.

Jamie Heisig-Mitchell, Chief of Water Quality

Jamie Heisig-Mitchell became Chief of Water Quality in November 2022, overseeing the Central Environmental Laboratory (CEL), Pretreatment and Pollution Prevention (P3), and the Technical Service Division (TSD). In her previous position as Director of TSD, she managed staff involvement in environmental and wastewater monitoring and research as well as assuming responsibility for HRSD's permit negotiations and oversight of regulatory compliance with Clean Water Act, Clean Air Act, and Safe Drinking Water Act programs. Ms. Heisig-Mitchell serves on the board of the Virginia Association of Municipal Wastewater Agencies (VAMWA) and the University of Colorado Boulder's Water Reuse Advisory Board, is Chair of VAMWA's Water Quality Committee, Co-Chair of the NACWA Water Quality Committee, Past-President of the Virginia Biosolids Council, member of the Eastern Virginia Medical School's Institutional Biosafety Committee, and has served on numerous Virginia Department of Environmental Quality Advisory Panels and Subcommittees. Ms. Heisig-Mitchell received her Master of Science from Old Dominion University in Norfolk, Virginia.

Bruce W. Husselbee, Ph.D., P.E., BCEF, DBIA, Chief Engineer

Bruce Husselbee became Chief Engineer in July 2005. Before his promotion to this senior leadership position, he was a Project Manager in the HRSD Design and Construction Department for nine years. Mr. Husselbee previously worked in the consulting engineering field for 12 years prior to joining HRSD. He holds a bachelor's degree in Civil Engineering, a master's degree in Environmental Engineering from George Washington University and a Ph.D. in Coastal Engineering from Old Dominion University. He also has completed the Kenan-Flagler Water and Wastewater Leadership Program. He is active in a number of professional organizations including the Old Dominion University Civil and Environmental Engineering Visiting Council, the Design-Build Institute of America and the WEF Utility Management Committee. He is a member of the Board of Directors of the Design Build Institute of America.

Brenda Matesig, Acting Chief People Officer

Brenda Matesig became Acting Chief People Officer in January 2025. She began her career in Human Resources in July 1990 after completing a part-time internship with HRSD. Over the past three decades, she has held multiple roles, in all facets of Human Resources. Ms. Matesig earned her MBA from Regent University in 2019 and holds several respected certifications, including Professional in Human Resources (PHR), SHRM Senior Certified Professional (SHRM-SCP), and PSHRA Senior Certified Professional (PSHRA-SCP).

Leila E. Rice, APR, Chief Communications Officer

Leila Rice, who joined HRSD in March 2017, directs and guides overall strategic communication initiatives, internal and external communications, media relations, crisis communications, branding, social media, and community relations and community education programs. She previously served as Public Affairs Manager for Elizabeth River Crossings, where she managed internal and external communications, media relations and community outreach for the Elizabeth River Tunnels Project. Her experience also includes serving as Community and Media Relations Manager for Norfolk-based non-profit agency ForKids, Inc., and more than 20 years of radio and television media experience. Ms. Rice holds a Bachelor of Arts in Communication Arts from James Madison University and received her Accreditation in Public Relations in 2017. She is a member and former officer of the Public Relations Society of America, Hampton Roads Chapter, and also a member of WEF. She serves on the NACWA Communications and Public Affairs Committee and on the Board of Directors for the Foodbank of Southeastern Virginia and the Eastern Shore.

Awards

HRSD has received numerous awards for excellence in plant operations and maintenance, environmental engineering and design, public education, and financial reporting. To date, its treatment plants have earned 400 awards for outstanding compliance with National Pollutant Discharge Elimination System ("NPDES") permits since 1986, when the recognition program was established.

Awards and honors received during the year ended June 30, 2024, include the Best Project Award for Atlantic Treatment Plant Thermal Hydrolysis Process (THP) and Fats, Oils, and Grease (FOG) Receiving Station by Engineering News and Record (ENR); the 2024 Top Projects Award by Wastewater Digest for the Surry Hydraulic Improvements and Interceptor Force Main; the American Council of Engineering Companies Virginia Grand Award for HRSD's Climate Change Planning Study; the NACWA National Environmental Achievement Awards in the categories of Public Information and Education, Watershed Collaboration, and Workforce Development. HRSD also received the 2024 Engineering Achievement Award presented by the Engineers Club of Hampton Roads for the "Boat Harbor Treatment

Plant Force Main Section 1 – James River Crossing Project.” HRSD also earned the Award for Outstanding Achievement in Popular Annual Financial Reporting from the Government Finance Officers Association for its First Popular Annual Financial Report, issued in Fall 2024 for the Fiscal Year ended June 2023. The HRSD Finance Department also earned the George F. Ames PISCES award in the Innovative Finance category from the Environmental Protection Agency (EPA).

HRSD employees and leaders honored and recognized for their work and service include Dr. Charles Bott, awarded the Frederick George Pohland Medal; Commissioner Vishnu Lakdawala, receiving the NACWA 2019 Public Service Award; and Dr. Jim Pletl, receiving the NACWA Distinguished Service Award before his retirement from HRSD.

THE SERVICE AREA

The District provides service to approximately 5,000 square miles of land area within the boundaries of its service area. The geographical limits are shown on the map behind the inside front cover and include the following localities:

City of Chesapeake	Gloucester County
City of Hampton	Isle of Wight County
City of Newport News	James City County
City of Norfolk	King and Queen County
City of Poquoson	King William County
City of Portsmouth	Mathews County
City of Suffolk	Middlesex County
City of Virginia Beach	Northampton County
City of Williamsburg	Surry County (excluding Town of Claremont)
Accomack County	York County

The District and the Commission are independent of the localities served by the District. See “HAMPTON ROADS SANITATION DISTRICT – Authorization and Purpose” and “ – The Commission.”

The District’s Enabling Act includes provisions for adding territory to the District. From time to time, adjacent Counties have requested to have their jurisdictional area added to the territory within the District. In 2020, for example, the Counties of Northampton and Accomack on Virginia’s Eastern Shore were added to the District.

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Population Growth

The area within the District has experienced substantial urban and suburban development and consequent population growth. The historical population within the District is presented below. Presently, the District contains more than 20% of the population of the Commonwealth of Virginia.

Historical Population Growth in the District

<u>Year</u>	<u>Population</u>⁽¹⁾	<u>Population Increase</u>⁽²⁾
1960	660,338	-
1970	973,247	47%
1980	1,085,332	12
1990	1,431,000	32
2000	1,551,000	8
2010	1,674,917	8
2020	1,813,000	8
2024	1,829,281	1

⁽¹⁾ Sources: 1960-2020, United States Bureau of the Census; 2024, Weldon Cooper Center.

⁽²⁾ Increase in population includes both increases in population within the District's original service area, as well as the expansion of the District's service area.

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The District's top ten ratepayers represented 8.0% of the District's total rate base, as measured by wastewater treatment charges, in Fiscal Year 2024. The following table compares the top ten ratepayers in Fiscal Year 2024 with the top ten ratepayers in Fiscal Year 2015.

Wastewater Treatment Charges
Ten Largest Customers

<u>Customer</u>	<u>Type</u>	<u>Fiscal Year 2024</u>		<u>Fiscal Year 2015</u>	
		<u>Amount⁽¹⁾</u>	<u>% of Total</u>	<u>Amount⁽¹⁾</u>	<u>% of Total</u>
U.S. Navy - Norfolk Naval Base	Military Facility	\$9,776	2.30%	\$4,614	2.10%
Anheuser - Busch, Inc.	Brewery	4,010	0.90	3,240	1.50
Huntington Ingalls Industries	Shipbuilding	3,001	0.70	1,288	0.60
Norfolk Naval Shipyard	Military Ship Repair	2,963	0.70	1,843	0.80
U.S. Air Force-Langley Air Force Base ⁽²⁾	Military Facility	2,551	0.60	-	-
Joint Expeditionary Base Little Creek – Fort Story	Military Facility	2,519	0.60	1,606	0.70
City of Norfolk	Municipality	2,437	0.60	1,792	0.80
Norfolk Redevelopment & Housing Authority	Housing Authority	2,432	0.60	1,614	0.70
City of Virginia Beach	Municipality	1,964	0.50	1,164	0.50
Oceana Naval Air Station / Dam Neck ⁽²⁾	Military Facility	1,903	0.50	-	-
Smithfield Foods ⁽²⁾	Meat Processor	-	-	3,281	1.50
Sentara Healthcare ⁽²⁾	Healthcare	-	-	1,076	0.50
Totals⁽³⁾		<u>\$33,556</u>	<u>8.0%</u>	<u>\$21,518</u>	<u>9.7%</u>

⁽¹⁾ Dollar amounts in thousands.

⁽²⁾ Table only includes customer data for years in which a customer was one of the District's ten largest customers.

⁽³⁾ Totals may not add due to rounding.

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Wastewater Flow

During the past five years, the number of service connections has grown by 2.1%. Billed water consumption has declined by approximately 0.9% during such period because of conservation efforts on the part of utility customers fostered by increasing water and sewer rates, improved construction materials and the installation of low flow plumbing fixtures.

Wastewater Flows and Service Connections

<u>Fiscal Year Ended June 30</u>	<u>Average Daily Wastewater Flow⁽¹⁾</u>	<u>Total Billed Wastewater Flow^(1,2)</u>	<u>Service Connections (Thousands)</u>
2020	140.9	110	478
2021	154.4	111	481
2022	132.3	111	484
2023	135.1	109	486
2024	145.8	109	488

⁽¹⁾ Millions of Gallons per Day (MGD).

⁽²⁾ Water meters are read for billing purposes by the participating jurisdictions.

Expansion of Service Area

In most instances, the routine expansion of the service area results from the extension of the interceptor system performed at the request of a local government when growth or flow warrants. However, these interceptor lines will generally not be constructed based on speculation that future service areas will develop as planned unless the local jurisdiction(s) provides financial assistance.

Environmental Risks

The Hampton Roads region, in which the District operates, is vulnerable to the impacts of flooding, which are projected to increase in severity. The combination of land subsidence and rising ocean levels increase the risk of higher tides and higher storm surges. Additionally, heavy rainfall events are projected to increase in intensity and frequency, which may result in localized flooding as streams overtop their banks and stress existing stormwater systems. See “THE SYSTEM – Environmental Priorities and Efforts” herein.

THE SYSTEM

The Wastewater System consists of eight major treatment plants (225 million gallons per day (MGD) capacity), six smaller plants (aggregating approximately 1.63 MGD capacity) and its combined interceptor systems consisting of 139 pump and pressure reducing stations and approximately 557 miles of interceptors and collection sewer ranging in diameter from 6 to 66 inches. The interceptors, which are gravity and force mains, convey wastewater from the point of delivery by municipalities, industry and other users of the Wastewater System to the District’s treatment plants.

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The following table identifies the location of the District's major treatment plants, their design capacities and, for the Fiscal Year ended June 30, 2024, their average daily flows.

Treatment System Capacity & Flows
(Millions of Gallons per Day)

<u>Major Treatment Facilities</u>	<u>Average Design Capacity</u>	<u>FY 2024 Annual Average Daily Flow</u>
Army Base [Norfolk]	18.0	10.6
Atlantic [Virginia Beach]	54.0	44.8
Boat Harbor [Newport News]	25.0	12.0
James River [Newport News]	20.0	11.8
Nansemond [Suffolk]	30.0	16.6
Virginia Initiative [Norfolk]	40.0	30.0
Williamsburg [James City County]	22.5	8.1
York River [York County]	<u>15.0</u>	<u>12.0</u>
TOTALS ⁽¹⁾	<u>224.5</u>	<u>145.8</u>

⁽¹⁾ Totals may not add due to rounding.

In addition to the major facilities described above, the District operates six additional small wastewater treatment plants: two in Middlesex County with a combined capacity of 0.125 MGD, one in the Town of West Point (King William County) with a capacity of 0.60 MGD, one in King William County with a capacity of 0.10 MGD, one in the Town of Onancock (Accomack County) with a capacity of 0.75 MGD, and one in Lawnes Point (Isle of Wight County) with a capacity of 0.05 MGD. The interceptor system for these localities includes 47 pumping stations. HRSD is responsible for the collection, conveyance and treatment of wastewater, in the Counties of King William, King and Queen, Middlesex, Mathews, and portions of Northampton and Accomack Counties.

System Improvements and Innovations

HRSD completed significant renewals and improvements to its treatment plants, pump stations, interceptor sewers, operational and administrative facilities in recent years. Electrical equipment upgrades throughout all HRSD facilities were made to replace aging system components as well as meet new arc flash safety requirements. The on-going infrastructure renewal program has replaced a number of major interceptor pipelines and pump stations in the southern portion of the District's service area. Improvements included several projects associated with taking the Chesapeake-Elizabeth Treatment Plant (CETP) offline, the Virginia Beach Boulevard Force Main Phase VI project, the Elbow Road Pressure Reducing Station project, and upgrades to six existing power reducing stations throughout the South Shore system. Also instrumental to the closure of CETP was the construction of a five-million-gallon wet weather storage facility and pump station attached to a City of Virginia Beach skate park facility. In Norfolk, HRSD acquired the Robin Hood Road pump station to improve system functionality associated with the existing Chesapeake Boulevard pump station. In the Peninsula portion of the service area, major interceptor pipelines and pump station improvements were executed, including the completion of the West Avenue and 35th Street force main in Newport News, the Bloxom's Corner force main in Hampton, the Smithfield Interim Pressure reducing station in Isle of Wight County, the Hampton Trunk 'A' force main in Hampton, the Patrick Henry pump station interconnect force main in Newport News, the Morrison pump station

discharge force main replacement in Newport News, and the Kingsmill pump station piping replacement and wet well rehabilitation in James City County.

HRSD owns approximately 139 pump stations and pressure reducing stations that use various control scenarios using programmable controls to maintain various set points throughout the interceptor system. To provide a more reliable control and monitoring system, new control panels have been placed at nearly every station and system control points within the last three years. The Supervisory Control and Data Acquisition (SCADA) system, currently nearing the end of the deployment phase, allows for future capacity optimization control regimes, including real time control and predictive measures to get the most out of the interceptor system.

A comprehensive metering network installed throughout the Wastewater System aids in optimizing system operations and provides flow data to HRSD's dynamic hydraulic model for calibration and validation purposes. The hydraulic model is one of the most sophisticated sewer modeling efforts in the country and is used to guide placement and sizing of future system improvements to cost effectively address wet weather peak flows. In addition, HRSD uses a hydraulic model to evaluate new connections to the system to ensure capacity, size new pipelines and pump stations, develop contingency scenarios and improve system operational efficiency. The hydraulic model was instrumental in HRSD's decision to take the CETP offline and divert the flow to use available capacity at the Atlantic Treatment Plant (ATP). HRSD estimates that the 30-year net present value of savings realized from this decision is approximately \$200 million.

In 2017, both the Town of Surry and Surry County transferred their treatment plants and collections systems to HRSD. The Town of Surry Wastewater Treatment Plant was in immediate need of major repairs and had a consent order deadline to take the plant offline before December 31, 2022. Due to the high capital, operations and maintenance costs associated with new treatment plants, HRSD constructed a 132,000 linear foot pipeline project, and eight pump stations to convey flow from these communities to the Nansemond Treatment Plant at an estimated cost of \$50 million. This project also included the closure of the Town of Surry and Surry County Wastewater Treatment Plants.

HRSD directed significant effort to meet mass discharge limits on nitrogen and phosphorus resulting from a six-state effort to restore the Chesapeake Bay. As a result of the capital projects at the York River, Nansemond, Army Base James River, and Virginia Initiative Plant (VIP) Treatment Plants, HRSD continues to meet stringent nutrient limits. Through the use of creative design and phased construction, HRSD deploys cost-effective adaptive technologies to take advantage of the existing facilities and the diversity of treatment processes at each plant. In June 2019, the Virginia State Water Control Board adopted new protective criteria for chlorophyll in the James River. The new criteria were the result of a seven-year study designed to identify the causes and consequences of algal blooms and develop models to estimate their occurrence by linking chlorophyll to nutrients and other environmental factors. HRSD's wasteload allocations defined by the current nutrient general permit are in compliance with the new criteria. Due to the high cost of nutrient upgrades, the CETP was shut down and its flow diverted to the Atlantic Treatment Plant, which is an ocean discharge plant that does not require nutrient removal.

Even more stringent nutrient discharge limits will come into effect in 2026 for nitrogen, along with a series of incremental reductions in phosphorus in 2028, 2030, and 2032. To meet the 2026 nitrogen requirements, two large capital projects are now in construction. These include upgrades at James River Treatment Plant (JRTP) and the closure of Boat Harbor Treatment Plant (BHTP) with the transfer of flow to Nansemond Treatment Plant (NTP) and the expansion of that facility to accommodate the increased flow. The BHTP closure project will include the construction of a large pump station on the BHTP property, installation of a 54-inch force main under the James River, and installation of a network of force mains to NTP.

The District has developed an innovative managed aquifer recharge program called the Sustainable Water Initiative for Tomorrow (SWIFT) to address the challenges of declining aquifer levels, land subsidence and saltwater intrusion, and provide additional benefits to the region, including nutrient credits for urban stormwater and other needs. SWIFT will add advanced water treatment (AWT) to two of the District's existing treatment plants to produce approximately 50 MGD of water that meets drinking water standards and is compatible with the receiving aquifer. Water meeting drinking water standards (SWIFT Water®) will be recharged into the Potomac Aquifer System to counter the aquifer challenges described above. In support of SWIFT, the District constructed and is operating a 1 MGD demonstration facility, known as the SWIFT Research Center at the Nansemond Treatment Plant. The center demonstrates, on a meaningful scale, that AWT produces SWIFT Water® that meets primary drinking water standards and is compatible with the receiving aquifer. The first full-scale SWIFT facility is in construction at the James River Treatment Plant with a rated capacity of 16 MGD including AWT and recharge wells. This facility is expected to come online in 2026, and these upgrades are an important part of meeting 2026 nitrogen and future phosphorus limits.

The SWIFT program includes multiple barriers of control for the treatment and removal of contaminants and pathogens, including per- and polyfluoroalkyl substances (PFAS). The first major barrier is source control in which HRSD enforces stringent regulatory limits on the industries that discharge into the District's wastewater facilities so that water generated from SWIFT facilities complies with Safe Drinking Water Act requirements for recharge to a potable aquifer. The SWIFT facility itself includes multiple control barriers, including ozonation, biofiltration and granular activated carbon (GAC) adsorption prior to ultraviolet disinfection. The use of GAC provides treatment of PFAS to comply with the recently released National Primary Drinking Water Regulation for PFAS. As a further means of aquifer protection, critical control points (CCPs) have been identified throughout the treatment process, allowing real-time process monitoring with the ability to redirect any water not meeting specifications away from the aquifer recharge wells to be managed instead by the wastewater facility and in compliance with its receiving stream discharge permit (Virginia Pollutant Discharge Elimination System (VPDES)).

In addition, the District has initiated a substantial capital project to add SWIFT to the expanded Nansemond Treatment Plant (50 MGD) with an AWT capacity of 33 MGD. A design-build team has been selected to deliver this project, and detailed design is anticipated to complete in 2025, with startup expected in 2030. This facility is an important factor in HRSD meeting future phosphorus limits.

The last measure needed to meet the final 2032 phosphorus limits is a tertiary treatment upgrade at the VIP Treatment Plant. This project is in the early feasibility design stages, and the project will be constructed in a manner that allows the potential future conversion to SWIFT AWT and recharge.

In 2020, the District also implemented at the Atlantic Treatment Plant a system that increases biogas generation by receiving and processing restaurant-derived fats, oils, and grease (brown grease) containing water and converting it to additional digester gas.

In May 2025, the Commission approved agreements with a company to construct a renewable natural gas (RNG) recovery and treatment facility at the Atlantic Treatment Plant to treat biogas created as part of the wastewater treatment process. Under the agreements, the company will design, build, operate, and maintain the facility with no monetary compensation from the District. The company will purchase raw digester gas (biogas) from the District and return the treated product to the natural gas grid. HRSD expects the Facility's construction to be completed by the fall of 2027.

In 2008, HRSD worked with the Navy to use the Atlantic Treatment Plant's effluent to act as a heat sink for a large Navy facility located adjacent to the plant. This system, similar in function to a geothermal system, saves the Navy \$3 million per year and won a Federal Facility Presidential Award in 2009. The

District has installed its first photovoltaic array at the SWIFT Research Center, a 60 kW system that supplies approximately one-quarter of the SWIFT Research Center's operating power demand.

The District is currently starting up a new process (Greasezilla) at the Nansemond Treatment Plant to recover brown grease in the form of ship bunker fuel, and is currently evaluating proposals for a new public-private partnership for the production of renewable natural gas at the Atlantic Treatment Plant that will further reduce its operations carbon footprint and potentially generate revenue associated with the sale of commodity energy products.

HRSD owns and operates the second Ostara nutrient recovery facility in the United States. The patented Ostara process recovers phosphorus and nitrogen from the wastewater treatment process, rather than releasing it into the Chesapeake Bay, and converts it to a slow-release, high-phosphorus content, commercial fertilizer. As part of the Nansemond Treatment Plant expansion, and in response to more stringent future phosphorus limits, the Ostara nutrient recovery facility is currently under construction to increase the capacity of the facility, to add an additional phosphorus stripping step, and to switch to a more cost effective source of magnesium, the combined impact of which will be roughly quadruple the current struvite production rate.

The District is a leading agency in wastewater research and development. In collaboration with an international group of researchers and other third parties, the District played a major role in patenting a process using mainstream external selectors to improve biomass settleability and stabilize biological phosphorus removal. This technology was installed at the James River Treatment Plant in 2015 and in one train at the Urbanna Treatment Plant in 2016. In addition, the District is collaborating with an international group of agencies and academic institutions to study a revolutionary wastewater process using a relatively new bacterium called anammox. The District started operating the first two full-scale sidestream treatment processes using anammox in the Western Hemisphere at York River Treatment Plant and James River Treatment Plant. HRSD developed and patented (pending) a new control system for one of those processes, known as the AnitaMox process.

HRSD operates the first documented full-scale mainstream nutrient removal process using anammox at the York River Treatment Plant in an emerging application known as partial denitrification-anammox (PdNA). The implementation of PdNA was completed internally by HRSD staff for minimal capital investment, resulting in the savings of approximately \$1 million per year in chemicals and energy and avoiding a substantial conventional nutrient removal capital project. This was based on about eight years of pilot testing and research. HRSD, in collaboration with others, patented a suite of technologies associated with the treatment of nitrogen using low energy, low carbon, and intensified (smaller tanks) processes and based on mainstream nitrite shunt and deammonification (anammox). In the current applications, this technology suite is known as AvN-PdNA. HRSD has also implemented mainstream PdNA at the James River Plant as part of the nutrient upgrades that are currently in construction, and the Nansemond Treatment Plant will include mainstream PdNA as part of the expansion project.

Capital Improvement Program

The District's Capital Improvement Program is designed to meet regulatory requirements, including both nutrient reduction and sanitary sewer overflow reduction, aging infrastructure renewals and replacements, biosolids management and increased capacity. The District uses a ten-year planning horizon for the CIP. The CIP is updated each year and modified as circumstances dictate. The Commission approves the overall program and the first year of the plan and appropriates funds on an individual project basis. The District also employs a CIP project prioritization program using a decision-analysis based process. This process allows each proposed project to be considered objectively against the merits of other proposed projects. Individual projects are scored using performance measures based on risk reduction and

ranked. After the CIP review team considers each project score for consistency, the CIP leadership team makes final decisions on project acceptability and develops a prioritized project schedule based on projected capital funding availability.

The District has undertaken an Integrated Plan that will use innovative approaches to removing nutrients from the Chesapeake Bay and assist with other regional issues such as aquifer recharge and land subsidence. The centerpiece of the Integrated Plan is the SWIFT program, which will further treat plant effluent to drinking water standards and use it to recharge the Potomac aquifer. The 2026-2035 CIP includes \$1.4 billion for the SWIFT program. The Integrated Plan also addresses sanitary sewer overflows (SSO) and has allocated \$200 million for projects that will have the largest impact towards reducing SSO's during wet weather events.

The 2026-2035 CIP includes approximately \$3.4 billion in interceptor system, treatment plant, water reuse, and other facility improvements. Of that total, \$258 million is identified for the rehabilitation and upgrade of wastewater treatment plants. A number of interceptor sewer projects, totaling approximately \$424 million, are in the planning, design or construction phase. These planned projects are proposed to address aging infrastructure issues within the District's extensive interceptor sewer piping system. Upgrades to aging sewer pump stations and new pump stations to serve Hampton Roads are an important part of the CIP, with over \$268 million of such improvements planned in the next ten years. The CIP includes \$304 million in anticipated biosolids management improvements.

The following table sets forth the District's anticipated sources of funds for the Capital Improvement Plan in Fiscal Years 2026 through 2030.

CIP, Fiscal Years 2026 to 2030
(Dollar amounts in thousands)
(As of Fiscal Years ending June 30)

	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>Total (2026-30)</u>
Revenue Bonds	\$161,705	-	-	-	-	\$161,705
Va. Clean Water Revolving Fund Loan	40,000	\$40,000	\$40,000	\$40,000	\$40,000	200,000
Draw on WIFIA Bonds	220,000	48,088	-	-	-	268,088
Water Quality Improvement Fund (WQIF) Grants ⁽¹⁾	100,000	212,000	415,658	180,988	80,000	988,645
HRSD Cash	266,849	154,989	151,402	200,915	309,905	1,084,060
Reimbursements	4,644	1,000	-	-	-	5,644
Line of Credit (Negative = Pay Off)	<u>(84,198)</u>	<u>82,923</u>	<u>(98,725)</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>
Total Sources for Capital Expenditures ⁽²⁾	<u>\$709,000</u>	<u>\$539,000</u>	<u>\$508,335</u>	<u>\$421,903</u>	<u>\$429,905</u>	<u>\$2,608,143</u>

⁽¹⁾ The timing and amount of the Water Quality Improvement Fund (WQIF) grants is dependent on funding provided by the Commonwealth and is subject to change. HRSD plans to adjust its funding sources, if needed, based on the receipt of WQIF grants.

⁽²⁾ Totals may not add due to rounding.

The District plans to fund the Capital Improvement Program through a combination of cash and debt financing as shown in the above table. The CIP also includes \$1.25 billion in funding in Fiscal Years

2031 through 2035, of which \$200 million is planned to be funded with debt proceeds and \$1.05 billion with operating cash.

In addition to its ten-year planning horizon, the District undertakes preliminary planning for its CIP through 2045. While subject to change, the District estimates additional capital expenditures of \$3.12 billion for years 2036-2045, with approximately 40% to be financed with new debt. Capital expenditures include estimated costs associated with the RWWMP, as defined and discussed under “ – State Consent Agreement and EPA Consent Decree” below.

The proposed new debt conservatively assumes a combination of interim financing, and federal and state subsidized funding. HRSD continues to seek the lowest cost of capital by using the Virginia Clean Water Revolving Loan Fund (VCWRLF) and Water Infrastructure Finance and Innovation Act (WIFIA) loans described above. For example, based on current market conditions and the lower interest rates available through the capital markets, the District anticipates using proceeds of the Series 2025A Bonds to fund, on an interim basis, a portion of projects previously planned to be funded with proceeds of WIFIA Bonds. HRSD is currently drawing down three closed loans in the WIFIA program, with maximum draws totaling \$970.5 million, and one VCWRLF loan totaling \$80 million. See “SECURITY AND SOURCES OF PAYMENT – Outstanding Senior Obligations.” The District will continue to monitor market conditions to obtain the most advantageous methods of future CIP financing.

Regulation and Permits

The Virginia State Water Control Law (Chapter 3.1, Title 62.1, Code of Virginia, 1950, as amended) provides that the plans and specifications for wastewater facilities to be constructed be approved by the Virginia Department of Health and the Virginia Department of Environmental Quality. The District operates all of its plants and interceptor systems under permits issued by the Virginia Department of Environmental Quality.

In addition to the regulatory issues described under “ – State Consent Agreement and EPA Consent Decree,” the Commonwealth’s Phase 3 Watershed Implementation Plan for the Chesapeake Bay Total Maximum Daily Load (TMDL) requires additional nutrient reductions phased in from 2026-2032. Compliance with the required reductions relies on additional capital investment at multiple HRSD facilities. Beyond this, the District is not aware of any pending federal or Commonwealth regulatory requirements proposed in the Federal Register or the Virginia Register that, in themselves, would require significant expenditures for additional capital improvements; however, the District cannot predict the scope or effect of future federal or Commonwealth regulatory actions that could require significant expenditures for capital improvements.

As a matter of practice, HRSD manages its operational and capital planning to mitigate compliance risk associated with uncertainty in the regulatory environment. This approach favors flexibility and adaptive management. This type of risk mitigation also requires HRSD to engage directly in highly consequential state and federal policy and regulatory development to remain abreast of regulatory considerations and contribute to the scientific discourse where possible. HRSD’s solids management strategy is an example of such an approach. Flexibility was increased through the implementation of a Thermal Hydrolysis Process (THP) at the Atlantic Treatment Plant, a process which significantly reduced the volume of biosolids produced at the plant, creating a pathogen-free biosolids product and increasing options for the end use of the material. HRSD’s current portfolio of management options for the solids generated at all of its facilities includes incineration, landfilling, composting, and land application as conditions allow. These options allow HRSD to pivot as new regulations or new treatment technologies become available. As a stakeholder in the protection of public health and the environment, HRSD participates in research funded by the Environmental Protection Agency (EPA) and other grant funding

institutions to better understand the potential risk associated with chemical contaminants in solids along with evaluating varying treatment technologies that may be effective at removing chemical contaminants of concern.

HRSD also leverages its Pretreatment and Pollution Prevention program as a key part of its risk management strategy, driving upstream controls of potential contaminants of concern, particularly where greater gains can be achieved through controlling the contaminants at their source. HRSD carries this concept of source control or pollutant minimization to the residential level as well, working with regional entities to educate residents about their role in reducing the introduction of problematic chemical contaminants into the wastewater stream.

State Consent Agreement and EPA Consent Decree

On December 19, 2014, the Commonwealth of Virginia entered into a long-term State Consent Agreement (the “2014 Consent Agreement”) with 14 of the localities that HRSD serves. The 2014 Consent Agreement requires the localities to perform long-term management, operations and maintenance of their sewer systems in support of HRSD’s efforts to provide long-term regional wet weather wastewater capacity. HRSD is not a party to the 2014 Consent Agreement. Instead, HRSD’s obligation to provide regional wet weather sewer capacity is now solely imposed through its federal consent decree (the “Consent Decree”). HRSD entered into the Consent Decree with the Commonwealth and the United States Environmental Protection Agency (“EPA”).

The Consent Decree was entered by the Federal District Court for the Eastern District of Virginia (the “District Court”) on February 23, 2010. The Consent Decree has been amended six times, most recently on January 19, 2024 (the “Amended Consent Decree”).

The Amended Consent Decree has two major operative requirements. First, it requires HRSD to implement its approved Regional Wet Weather Management Plan (“RWWMP”) to control 69 percent of the capacity-related sewer overflow volume predicted to occur in a five-year storm event. Because HRSD has assumed responsibility for planning (in consultation with the 14 affected localities), designing, funding, and implementing the controls (high priority projects) in both the localities’ systems and the HRSD system contained in the approved RWWMP, HRSD estimates the regional ratepayers will achieve significantly reduced program costs than if each locality sought to address peak wet weather wastewater flows on its own. To further facilitate this approach, the 14 affected localities entered into a Memorandum of Agreement with HRSD in 2014 in which they agreed to (1) cooperate with HRSD, (2) facilitate the construction of and accept ownership of any improvements that HRSD may need to construct in the localities’ systems, and (3) maintain the integrity of their systems to industry standards.

The Amended Consent Decree also required HRSD to implement a total of 45 projects from its ten-year CIP. These 45 projects totaled approximately \$306 million. HRSD has timely and fully satisfied the requirement of the Amended Consent Decree to implement these 45 early action projects.

The Amended Consent Decree authorizes HRSD to submit the RWWMP as part of an Integrated Management Plan (“IMP”). HRSD intends to use the IMP approach to facilitate the timing and financing of both its RWWMP and its SWIFT Program. The SWIFT Program will assist the Commonwealth to meet its Chesapeake Bay nutrient reduction commitments and save HRSD’s 14 localities approximately \$1 to \$2 billion in avoided Chesapeake Bay-related storm water control costs.

The Amended Consent Decree includes a schedule for wastewater system improvements that expressly accommodates HRSD’s SWIFT program. That schedule requires that HRSD implement \$200 million worth of High Priority Project sewer overflow control projects between 2020 and 2030 and then

another \$200 million in sewer overflow control projects between 2030 and 2040. These two sets of projects reflect further priority system improvements that HRSD is to implement along with the SWIFT project. The Amended Consent Decree gives HRSD until 2032 to invest \$1.1 billion in the SWIFT program. Finally, the Amended Consent Decree provides that if HRSD does not make the full \$1.1 billion investment in the SWIFT Project by 2032 then EPA can require HRSD to accelerate some or all of the second group (\$200 million worth) of High Priority sewer overflow control projects to offset the avoided investment in the SWIFT program.

Environmental Priorities and Efforts

Since its inception in 1940, the District has served the Hampton Roads region with its mission of protecting public health and the waters of Hampton Roads. The District's vision is that the District's communities will have clean waterways and reliable water resources for generations to come. SWIFT is the District's newest water treatment innovation, as described in detail above under " – System Improvements and Innovations."

To better understand the effects of rising sea levels, the District commissioned a comprehensive sea-level rise impact study that concluded in May 2023. The study provided a foundation to address the next 80 years of flooding-related impacts and prioritized flood mitigation projects across all of the District's facilities. As of Fiscal Year 2025, flood mitigation projects were incorporated into the long-term capital planning process, with an average of \$5 million in projects to be completed per year over the next fifty years.

In recent years, the District also updated its standards to increase the freeboard three feet above the Federal Emergency Management Agency (FEMA)'s 100-year flood elevation and adopted design standards for assets that require using the U.S. Army Corps of Engineers' sea-level rise tool.

Asset Management Program

The District's Asset Management Plan is a dynamic model that leverages data from multiple systems and calculates the likelihood and consequence of failure for each asset in the District's infrastructure portfolio to determine the remaining useful life and replacement year. HRSD uses business intelligence (dashboard) software that is integrated with other enterprise systems, such as its Geographic Information System (mapping system), Enterprise Resource Planning System (financial reporting, human relations, procurement, payroll and budgeting system), and its Supervisory Control and Data Acquisition System (industrial control system that allows the District to monitor and in certain cases control pump station operations) to display the latest condition, performance, and reliability of each asset as well as a long-term capital investment forecast. The dynamic Asset Management Plan provides the District with the ability to filter by facility, asset class, unit process, and other categories to make the best decisions for sustaining asset performance and prioritizing capital investments.

Cybersecurity

The District, like many other public entities, relies on a technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including but not limited to, hacking, viruses, malware, and other such attacks on computer or other sensitive digital systems and networks. There can be no assurance that any security and operational control measures implemented by the District will be completely successful to guard against and prevent cyber threats and attacks. The result of any such attack could affect operations and digital networks, and the costs of remedying any such damage could be significant.

In 2019, the District developed an Information Technology governance plan and technology roadmap, that included risk management, business continuity, and new technology integration. The District is implementing this plan over time, at a total estimated cost of approximately \$15.5 million between FY 2019 and 2026.

Since April of 2020, the District's Cybersecurity Department has included a dedicated Chief Information Security Officer. The Chief Information Security Office maintains an Information Technology Security Policy in accordance with applicable standards and laws. The policy defines minimum security requirements for the District's assets including the managerial, operational, and technical protection requirement and controls to ensure the confidentiality, integrity, and availability of the District's IT assets; and compliance with requirements of applicable federal, and state law and the District's policies and regulations.

The District maintains a comprehensive cyber insurance coverage policy that covers breach related expenses, liability and extortion. In addition, the District maintains crime insurance, which includes computer related fraud.

On November 17, 2020, the District was the subject of a ransomware attack. The District and its cybersecurity consultants worked to restore all of the business systems to normal operations without paying any ransom. The District did not experience any negative material impact on its operations as a result of the attack. Because of the District's robust safeguards, the District did not lose any data as a result of the attack.

FINANCIAL MANAGEMENT

General

Through its annual budget process, management seeks to ensure that operating revenues are sufficient to meet operating expenses and sufficient reserves are available in the event actual billings do not meet budgetary expectations. The upgrades and expansion of new treatment plants and extensions and improvements of the interceptor system are financed by a combination of operating revenues and debt financing. The following table sets out the District's operating results and debt service coverage for the Fiscal Years ended June 30, 2020, through June 30, 2024.

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Summary of Operating Expenses and Debt Service Coverage
(Dollar Amounts in Thousands)
(As of Fiscal Years ended June 30)⁽¹⁾

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Operating Revenues					
Wastewater Treatment Charges	\$318,585	\$325,817	\$352,414	\$383,115	\$422,784
Miscellaneous	<u>3,447</u>	<u>3,952</u>	<u>5,532</u>	<u>4,820</u>	<u>4,157</u>
Total Operating Revenues	<u>\$322,032</u>	<u>\$329,769</u>	<u>\$357,946</u>	<u>\$387,935</u>	<u>\$426,941</u>
Operating Expenses					
Wastewater Treatment	\$122,393	\$132,820	\$134,135	\$149,532	\$167,327
General and Administrative	<u>46,949</u>	<u>48,691</u>	<u>45,673</u>	<u>53,995</u>	<u>60,152</u>
Total Operating Expenses, excluding Depreciation	<u>\$169,342</u>	<u>\$181,511</u>	<u>\$179,808</u>	<u>\$203,527</u>	<u>\$227,479</u>
Non-Operating Revenues (Expenses)					
Wastewater Facility Charges	\$6,444	\$7,379	\$7,072	\$7,293	\$7,153
Investment Income	5,876	471	(1,651)	6,068	13,673
Bond Interest Subsidy ⁽²⁾	2,205	2,167	2,052	2,015	1,622
Capital Distributions to Localities ⁽³⁾	-	(376)	(13)	(2,422)	(2,005)
Bond Issuance Costs	<u>(1,290)</u>	<u>(682)</u>	<u>(311)</u>	<u>(98)</u>	<u>(1,000)</u>
Net Non-Operating Revenues (Expenses)	<u>\$13,235</u>	<u>\$8,959</u>	<u>\$7,149</u>	<u>\$12,856</u>	<u>\$19,443</u>
Net Revenues (GAAP)	<u>\$165,925</u>	<u>\$157,217</u>	<u>\$185,287</u>	<u>\$197,264</u>	<u>\$218,905</u>
Add Back: Operating Expenses on Improvements not Owned by HRSD	-	376	13	2,422	2,005
Net Revenues (Adjusted)	<u>\$165,925</u>	<u>\$157,593</u>	<u>\$185,300</u>	<u>\$199,686</u>	<u>\$220,910</u>
Senior Debt Service ⁽⁴⁾	\$59,011	\$59,213	\$61,017	\$66,391	\$76,894
Senior Debt Service Coverage Ratio (GAAP)	2.81	2.66	3.04	2.97	2.85
Senior Debt Service Coverage Ratio ⁽⁴⁾ (Adjusted Cash Basis)	2.81	2.66	3.04	3.01	2.87

⁽¹⁾ Revenues and Operating Expenses presented in accordance with generally accepted accounting principles; debt service presented on a cash basis (i.e. debt service actually due during the related Fiscal Year).

⁽²⁾ Actual Federal Subsidy received from the federal government relating to interest on the District's Wastewater Revenue Bonds, Series 2009B (Federally Taxable-Issuer Subsidy-Build America Bonds), which were redeemed as a whole on May 9, 2024, and are no longer outstanding.

⁽³⁾ Operating Expenses on improvements not owned by HRSD are funded through HRSD's Capital Improvement Plan from sources that may include cash, debt, grants, and other sources. Such expenses are excluded from the definition of Operating Expenses under the Trust Agreement.

⁽⁴⁾ Calculated based on actual debt service payable on a current year basis. Includes debt service on the District's obligations (none of which remain outstanding) that were senior in right of payment to the Bonds and other Senior Obligations, and excludes debt service on Subordinate Obligations.

Pension Fund and Other Post-Retirement Benefits. For a description of the District's participation in the Virginia Retirement System, a defined benefit plan offered by the Commonwealth of Virginia, and of the post-retirement health benefits for qualifying employees of the District, see the District's Annual Comprehensive Financial Report attached as Appendix A hereto.

Debt Management. The Commission has adopted a comprehensive financial policy designed to promote sound financial management. The policy addresses, but is not limited to, the following areas: reserves, budgetary principles, internal controls, debt affordability, debt management, risk management, derivatives and investments. The Commission has the right to change the financial policy from time to time.

The policy requires minimum debt service coverage requirements in excess of its obligations under the Trust Agreement. It also requires cash contributions to its capital program of not less than 15% of each year's capital improvement program. Additionally, the policy establishes parameters for the investment of idle funds.

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Projected Operating Results. The following table shows projected Revenues and Current Expenses for the Fiscal Years ending June 30, 2025, through June 30, 2029, inclusive.

**Summary of Projected Revenues and Current Expenses
(Dollar Amounts in Thousands)
(As of Fiscal Years ending June 30)⁽¹⁾**

	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
Operating Revenues ⁽²⁾	\$452,127	\$497,914	\$540,860	\$573,407	\$593,322
Non-Operating Revenues	15,065	19,655	15,080	15,826	16,863
Less Operating Expenses Excluding Depreciation	<u>(275,722)</u>	<u>(292,854)</u>	<u>(351,570)</u>	<u>(378,456)</u>	<u>(352,476)</u>
Net Revenues	<u>\$191,470</u>	<u>\$224,725</u>	<u>\$204,369</u>	<u>\$210,777</u>	<u>\$257,710</u>
Senior Debt Service ⁽²⁾⁽³⁾⁽⁴⁾	\$82,526	\$104,100	\$111,129	\$110,598	\$123,169
Senior Debt Service Coverage Ratio (Adjusted) ⁽²⁾⁽³⁾⁽⁴⁾	2.32	2.16	1.84	1.91	2.09
Key Assumptions⁽⁵⁾					
Rate Increases	9.0%	9.0%	9.0%	6.5%	4.0%
Change in Consumption	0.0%	0.0%	0.0%	-0.25%	-0.4%
Key Inflation Trends					
Average Inflation	4.6%	5.3%	4.3%	3.9%	3.9%
Personal Expenses	10.0%	10.0%	12.0%	5.0%	5.0%
Healthcare Rates	5.2%	5.2%	5.2%	5.2%	5.2%
Contractual Services	5.0%	8.0%	5.0%	5.0%	5.0%
Costs of Issuance	\$300	-	-	-	-

(1) Totals may not add due to rounding.

(2) Revenues and Operating Expenses presented in accordance with generally accepted accounting principles; Debt service presented on a cash basis (i.e. debt service actually due during the related Fiscal Year).

(3) Debt service does not include principal and interest on the Line of Credit or the Series 2025A Bonds. See “PLAN OF FINANCING – Future Financings” herein.

(4) Assumes debt service on variable rate Series 2016B Bonds of 3.60% per annum. No assurance can be given, however, that the rate on the Series 2016B Bonds will not be higher than assumed above.

(5) While the District believes the assumptions set forth above are reasonable, actual results may vary.

Budgeting and Accounting

Budgetary Controls. The District adopts an annual operating budget and a 10-year Capital Improvement Plan. The budget is approved on or before June 30 of each year. The District maintains budgetary controls on a departmental basis, and the General Manager/Chief Executive Officer is authorized to add or eliminate positions and transfer funds among departments without Commission approval. With the exception of capital projects, unencumbered funds lapse at year end. As part of the budget process, the District adopts a long-range financial forecast.

Financial Statements. In accordance with accounting principles generally accepted in the United States, the District’s audited general purpose financial statements are prepared on an accrual basis of accounting. The District’s audited basic financial statements and the report thereon by Cherry Bekaert LLP, for the Fiscal Year ended June 30, 2024, are included in Appendix A. The District’s independent auditor, Cherry Bekaert LLP, has not been engaged to perform and has not performed, since the date of its report included in Appendix A, any procedures on the financial statements addressed in that report. Cherry Bekaert LLP also has not performed any procedures relating to this Official Statement.

The Government Finance Officers Association of the United States and Canada has awarded a Certificate of Achievement for excellence in Financial Reporting to the District for its annual comprehensive financial reports for 42 consecutive Fiscal Years. In order to be awarded a Certificate of Excellence, a governmental unit must publish an easily readable and efficiently organized annual comprehensive financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

FY 2025 Budget; Interim financial reports. The District's FY 2025 Budget represents total revenue and expense increases of \$38.7 million, or 9.0% over the adopted FY 2024 Budget. This increase was supported with a 9.0% rate increase plus increases in other revenue sources such as investment income. For FY 2025 Budget through May 2025 (92% of FY 2025), total revenues were (unaudited) \$476 million (96% of FY 2025 Budget) and expenses and transfer were (unaudited) \$415 million (84% of FY 2025 Budget). The interim financial report from which such information is derived summarizes the results of the District's operations on a basis of accounting that differs from generally accepted accounting principles. Revenues are recorded on an accrual basis, whereby they are recognized when billed, and expenses are generally recorded on a cash basis. No provision is made for non-cash items such as depreciation and bad debt expense.

The District publishes unaudited financial reports at www.hrsd.com/investor-relations. Such reports are not incorporated into this Official Statement by reference, and the District reserves the right to modify the content and timing of such reports in the future or to eliminate them altogether.

FY 2026 Budget. On May 27, 2025, the Commission approved the Fiscal Year 2026 Annual Budget and the 10-year, Fiscal Year 2026 – 2035 Capital Improvement Plan (CIP), both effective July 1, 2025. The Annual Budget reflects a 9 percent retail rate increase, which supports approximately 96 percent of total revenues. In 2026, the average ratepayer will pay \$4.13 more per month for wastewater treatment services. Cash contributed to fund the CIP increased by 11.2 percent and debt service costs increased by 23.1 percent. In 2026, total CIP expenditures are estimated to be approximately \$709 million; the total 10-year CIP is approximately \$3.418 billion, which is \$462 million lower than the total CIP adopted in 2025.

Rates

The District periodically reviews its rate structure and revises its charges as necessary to generate the revenues required to meet its current financial obligations. The most recent general increase in rates became effective July 1, 2025. The District's full rate schedule appears on the District's website, www.hrsd.com.

Currently, the District's typical residential customer pays less than \$50 per month for sewage interception and treatment services provided by the District. The District's sewage interception and treatment charge generally is one of the smallest public service utility bills its customers receive. Generally, the District bills and collects directly from its customers on a monthly, bimonthly, or quarterly basis depending upon the community. The jurisdictions provide the meter readings, which are the basis of the District's billing operation.

The District charges surcharge rates to recover costs in direct proportion to volume and pollutant concentrations in excess of typical residential wastewater. Industrial users are typically permitted facilities requiring periodic effluent sampling.

The District provides billing services to several of the jurisdictions it serves, including Chesapeake, Norfolk, Smithfield, Suffolk, King William, Urbanna and Surry County (excluding the Town of Claremont). The combined bill can include jurisdictional charges for water, solid waste disposal, sewage

collection, storm water mitigation and District charges for sewage interception and treatment. To date, these services have been provided at no cost to assist the jurisdictions and customers the District serves to minimize the number of bills the customers receive and number of payments they need to make.

Rate-Making Process

The Enabling Act provides that the Commission is to fix and revise rates, fees and charges to provide funds that, with other funds available for such purposes, will be sufficient at all times (a) to pay the cost of maintaining, repairing and operating the Wastewater System and all improvements thereto, including reserves for such purpose and for renewals and replacements and necessary extensions and additions to the Wastewater System, (b) to pay the principal of and the interest on such revenue bonds as the same shall become due and to provide reserves therefor, (c) to pay costs associated with a customer assistance program, and (d) to provide a margin of safety for making such payments.

The Enabling Act provides that before any revision of rates, fees and charges shall become effective the Commission shall publish a copy thereof for four consecutive weeks in a newspaper of general circulation within the District. If, on or before the last publication, the governing body of any city or county constituting a part of the District or five hundred or more qualified voters residing within the District file a petition with the Virginia State Corporation Commission complaining of the proposed revision, the State Corporation Commission may by order suspend the placing in effect of such revision for a period not exceeding sixty days from the filing of any such petition during which time it shall investigate whether such revision is just and equitable and in accordance with the provisions of the Enabling Act. If the State Corporation Commission does not enter an order suspending, approving or disapproving such revision within sixty days from the filing of any such petition, such revision will be deemed to be in effect. The District or the party or parties filing a petition may appeal to the Supreme Court of Virginia from any such order as may be entered by the State Corporation Commission.

Collection of Unpaid Wastewater Treatment Charges

The Enabling Act provides that if any bill for wastewater treatment charges is not paid in full when the same becomes due, the owner, tenant or occupant of such lot or parcel of land shall, until wastewater treatment charges are paid, cease to dispose of wastewater or industrial wastes originating from or on such property by discharge thereof directly or indirectly into the Wastewater System, and if such owner, tenant or occupant does not cease such discharge within two months after the delinquent fees and charges are due, it shall be the duty of each public or private agency supplying water to such property, within five days after receipt of notice of such facts from the District, to cease supplying water to such property. If the water supply is not stopped, the District has the power to enter into any public or private property to shut off the property's water supply.

The District participates in the Virginia Set-Off Debt Collection Program administered by the Virginia Department of Taxation. This program provides a means for government units and courts to collect delinquent debts by attaching individual income tax refunds and certain state lottery winnings. Jurisdictions participating in the Hampton Roads Utility Billing Service (which is managed by the District) may have the District submit their balances along with the District's. This benefits the jurisdictions since, under the Debt Set-Off Collection Program, the District has a higher payoff priority than counties and cities.

[Remainder of page intentionally left blank.]

The following table shows the District's treatment charge collection rate for the last ten Fiscal Years.

Collection Rate	
<u>Fiscal Year Ended June 30</u>	<u>Percentage of Wastewater Treatment Charges Collected</u>
2015	99.1%
2016	99.1
2017	99.1
2018	99.3
2019	99.2
2020	99.3
2021	99.3
2022	99.6
2023	99.3
2024	98.9

Insurance

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; employee dishonesty; injuries to employees; and natural disasters. HRSD purchases commercial insurance for specific types of coverage including property, liability, auto, crime, public officials and workers' compensation. Claim settlements and judgments not covered by commercial insurance are covered by operating resources. The amount of settlements did not exceed insurance coverage for each of the past three Fiscal Years. The District also has a self-insured health, dental and vision care benefits program for all employees.

LITIGATION

There is no litigation pending in any court (either state or federal) or, to the knowledge of the District, threatened against the District that in any way questions or affects the validity of or the security for the Series 2025A Bonds or that would have a material adverse effect on the District's condition, financial or otherwise.

APPROVAL OF LEGAL PROCEEDINGS

The Series 2025A Bonds are offered subject to the approving opinion of Norton Rose Fulbright US LLP, Washington, D.C., Bond Counsel. Certain legal matters will be passed upon for the District by its General Counsel, Sands Anderson PC, Richmond, Virginia, and for the Underwriters by Kaufman & Canoles, a Professional Corporation, Richmond, Virginia.

TAX MATTERS

Opinion of Bond Counsel

The District will covenant in a tax certificate to comply with certain provisions of the Internal Revenue Code of 1986 (the "Code") relating to the exclusion from gross income of the interest on the Series

2025A Bonds for federal income tax purposes. In the opinion of Norton Rose Fulbright US LLP, Bond Counsel, under current law, and assuming continuing compliance by the District with such covenants and subject to the provisions of this section, interest on the Series 2025A Bonds will not be includable in gross income of the owners of the Series 2025A Bonds for federal income tax purposes. Interest on the Series 2025A Bonds will be includable in the gross income of the owners thereof retroactive to the date of issue of the Series 2025A Bonds in the event of a failure by the District to comply with applicable requirements of the Code and its covenants regarding use, expenditure, and investment of the proceeds of the Series 2025A Bonds and timely payment of certain investment earnings to the United States Treasury. No opinion is rendered by Bond Counsel as to the effect on the exclusion from gross income of the interest on the Series 2025A Bonds for federal income tax purposes of any action taken or not taken without the approval of Bond Counsel or upon the advice or approval of counsel other than Bond Counsel.

Interest on the Series 2025A Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax under the Code on individuals. Bond Counsel expresses no opinion regarding the applicability of the federal corporate alternative minimum tax to the adjusted financial statement income of corporate owners of the Series 2025A Bonds.

Tax Accounting of Bond Premium on Series 2025A Bonds

IRS Notice 94-84, 1994-2 C.B. 559, issued in 1994, stated that the IRS was studying whether the stated interest portion of the payment at maturity on a short-term debt obligation (such as the Series 2025A Bonds) that mature not more than one year from its date of issuance, bears a fixed rate of interest and is described in section 103(a) of the Code, is (i) “qualified stated interest” that is excluded from the “stated redemption price at maturity” of the obligation (within the meaning of section 1273(a)(2) of the Code) but is excluded from gross income pursuant to section 103(a) of the Code, or (ii) is not qualified stated interest and, therefore, is included by the taxpayer in the stated redemption price at maturity of the obligation, creating or increasing (as to that taxpayer) original issue discount on the obligation that is excluded from gross income pursuant to section 103(a) of the Code. Notice 94-84 stated that until the IRS provides further guidance with respect to tax-exempt short-term debt obligations, a taxpayer holding such obligations may treat the stated interest payable at maturity either as qualified stated interest or as included in the stated redemption price at maturity of the obligation. However, the taxpayer must treat the amounts to be paid at maturity on all tax-exempt short-term debt obligations in a consistent manner. Notice 94-84 did not address various aspects necessary to the application of the latter method (including, for example, the treatment of a holder acquiring its Series 2025A Bond other than in the original public offering or at a price other than the original offering price). Persons considering acquiring the Series 2025A Bonds should consult with their own tax advisors with respect to the tax consequences of the ownership of, and the election between the choices of treatment of the stated interest payable at maturity on, the Series 2025A Bonds.

To the extent that a purchaser of a Series 2025A Bond acquires that Series 2025A Bond at a price in excess of its stated redemption price at maturity, such excess will constitute “bond premium” under the Code. Section 171 of the Code and the Treasury Regulations thereunder provide generally that bond premium on a tax-exempt obligation must be amortized over the remaining term of the obligation (or a shorter period in the case of certain callable obligations). The amount of bond premium so amortized will reduce the owner’s basis in such obligation for federal income tax purposes, but such amortized premium will not be deductible for federal income tax purposes. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) recognized for federal income tax purposes upon a sale or other taxable disposition of the obligation. The amount of premium that is amortizable each year by a purchaser is generally determined by using such purchaser’s yield to maturity (or a shorter period in the case of certain callable obligations). The rate and timing of the amortization of bond premium and the corresponding basis reduction may result in an owner realizing a taxable gain when its Series 2025A Bond

is sold or disposed of for an amount equal to, or in some circumstances even less than, the original cost of the Series 2025A Bond to the owner.

Persons considering the purchase of Series 2025A Bonds with initial bond premium should consult with their own tax advisors with respect to the determination of amortizable bond premium on such Series 2025A Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of such Series 2025A Bonds.

Backup Withholding

Interest paid on the Series 2025A Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. While this reporting requirement does not by itself, affect the excludability of interest on the Series 2025A Bonds from gross income for federal income tax purposes, the reporting requirement causes the payment of interest on the Series 2025A Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (i) are not “exempt recipients,” and (ii) either fail to provide certain identifying information (such as the beneficial owner’s taxpayer identification number) in the required manner or have been identified by the Internal Revenue Service as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Amounts withheld from a payment to a beneficial owner under the backup withholding rules would be allowed as a refund or a credit against such beneficial owner’s federal income tax liability provided the required information is furnished to the Internal Revenue Service.

Other Tax Consequences

The Code contains other provisions (some of which are noted below) that could result in tax consequences, upon which Bond Counsel expresses no opinion, as a result of ownership of the Series 2025A Bonds or the inclusion in certain computations of interest on the Series 2025A Bonds that is excluded from gross income for purposes of federal income taxation.

Ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S Corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, owners of an interest in a financial asset securitization investment trust (FASIT), corporations subject to the alternative minimum tax on adjusted financial statement earnings, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit.

PROSPECTIVE PURCHASERS OF THE SERIES 2025A BONDS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE APPLICABILITY AND IMPACT OF ANY SUCH COLLATERAL TAX CONSEQUENCES.

Future Tax Developments

Future or pending legislative proposals, if enacted, regulations, rulings or court decisions may cause interest on the Series 2025A Bonds to be subject, directly or indirectly, to federal income taxation or to state or local income taxation, or may otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. Legislation or regulatory actions and future or pending proposals may also affect the economic value of the federal or state tax exemption or the market value of the Series 2025A Bonds. Prospective purchasers of the Series 2025A Bonds should consult their tax advisors

regarding any future, pending or proposed federal or state tax legislation, regulations, rulings or litigation as to which Bond Counsel expresses no opinion.

Virginia Taxes

The Enabling Act provides that the Series 2025A Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, shall be free and exempt from taxation by the Commonwealth of Virginia and by any political subdivision thereof.

UNDERWRITING

Pursuant and subject to the terms and conditions set forth in a Bond Purchase Agreement (the “Purchase Agreement”), dated July 8, 2025, between the District and J.P. Morgan Securities LLC (“JPMS”), BofA Securities, Inc., Wells Fargo Bank, National Association, and Raymond James & Associates, Inc. (the “Underwriters”), for whom JPMS is acting as representative, the Underwriters will agree to purchase from the District, and the District will agree to sell to the Underwriters, all, but not less than all, of the Series 2025A Bonds at a purchase price that results in an Underwriters’ discount of \$266,676.82. The Underwriters have supplied the information as to the price shown on the inside cover page.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the Underwriters and their affiliates may have certain creditor or other rights against the District and its affiliates in connection with such activities. In the course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities or instruments of the District (directly, as collateral securing other obligations or otherwise) or persons and entities with relationships with the District. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long or short positions in such assets, securities and instruments.

JPMS, an underwriter of the Series 2025A Bonds, has entered into negotiated dealer agreements (each, a “Dealer Agreement” and together, the “Dealer Agreements”) with each of Charles Schwab & Co., Inc. (“CS&Co.”), and LPL Financial LLC (“LPL”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Series 2025A Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2025A Bonds that such firm sells.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Finance Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934. Wells Fargo Bank, National Association, acting through its Municipal Finance Group (“WFBNA”), one of the underwriters of the Series 2025A Bonds, has entered into an agreement (the “WFA Distribution Agreement”) with its

affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name “Wells Fargo Advisors”) (“WFA”), for the distribution of certain municipal securities offerings, including the Series 2025A Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2025A Bonds with WFA. WFBNA has also entered into an agreement (the “WFSLLC Distribution Agreement”) with its affiliate Wells Fargo Securities, LLC (“WFSLLC”), for the distribution of municipal securities offerings, including the Series 2025A Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

MUNICIPAL ADVISOR

The District has retained PFM Financial Advisors LLC, Arlington, Virginia, as municipal advisor (the “Municipal Advisor”) in connection with the issuance of the Series 2025A Bonds. Although the Municipal Advisor assisted in the review of this Official Statement, the Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Municipal Advisor is a financial advisory, investment management and consulting organization and is not engaged in the business of underwriting municipal securities.

RATINGS

The Series 2025A Bonds have been assigned a rating of “MIG 1” by Moody’s Investors Service, Inc. (“Moody’s”), and “SP-1+” by S&P Global Ratings, a division of S&P Global Inc. (“S&P”). Such ratings reflect only the view of such organizations, and a fuller explanation of the significance of such ratings may be obtained from the rating agencies. A rating is not a recommendation to buy, sell or hold the Series 2025A Bonds. The District furnished Moody’s and S&P with certain information regarding its policies, practices and finances, including information that is not included in this Official Statement.

There is no assurance that such policies, practices and finances or such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by Moody’s or S&P. Any such downward revision or withdrawal could have an adverse effect on the market price of the Series 2025A Bonds.

CONTINUING DISCLOSURE

The Securities and Exchange Commission has adopted Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the “Rule”). In general, the Rule prohibits an underwriter from purchasing or selling municipal securities, such as the Series 2025A Bonds, unless it has determined that the issuer of such securities and other persons deemed to be material “obligated persons” have committed to provide to The Electronic Municipal Market Access (“EMMA”) system administered by the Municipal Securities Rulemaking Board (i) on an annual basis, certain financial information and operating data (“Annual Reports”), and audited financial statements, if available, or such unaudited financial statements as may be required by the Rule, and (ii) notice of various events described in the Rule (“Event Notices”).

The District will covenant in the Continuing Disclosure Agreement (the form of which appears in Appendix C) for the benefit of the holders of the Series 2025A Bonds to provide to EMMA annually, not later than December 31 of each year, commencing December 31, 2025, Annual Reports with respect to itself, as issuer. Similarly, the District will promptly provide Event Notices with respect to the Series 2025A Bonds to EMMA. In the five years preceding the date of this Official Statement, the District has materially complied with its other undertakings under the Rule.

The Continuing Disclosure Agreement requires the District to provide only that information that is subject to the terms of the Continuing Disclosure Agreement and only at specific times. The District may, from time to time, provide certain information and data in addition to that required by the Continuing Disclosure Agreement. If the District chooses to provide such information and data, it has no obligation to update such information or data or to include it in a future disclosure.

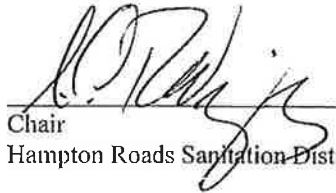
The sole remedy for a default under the Continuing Disclosure Agreement is to bring an action for specific performance of the District's covenants hereunder, and no assurance can be provided as to the outcome of any such proceeding.

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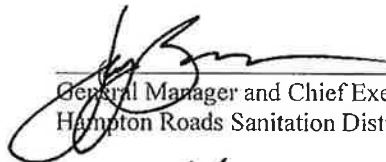
MISCELLANEOUS

All summaries or descriptions in this Official Statement of the provisions of the Enabling Act, the Series 2025A Bonds, and the Bond Resolution are made subject to all of the detailed provisions thereof to which reference is made for further information. Such summaries do not purport to be complete statements of any or all of the provisions thereof. Copies of the Bond Resolution are available upon request to the District at the following address: 1434 Air Rail Avenue, Virginia Beach, Virginia 23455, Phone (757) 460-2261.

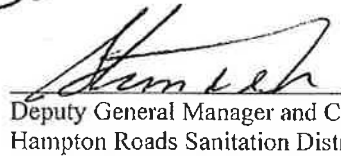
Any statement in this Official Statement involving matters of opinion whether or not expressly so stated is intended as such and not as a representation of fact. The execution and delivery of this Official Statement have been duly authorized by the Commission.



Chair
Hampton Roads Sanitation District Commission



General Manager and Chief Executive Officer
Hampton Roads Sanitation District



Deputy General Manager and Chief Financial Officer
Hampton Roads Sanitation District

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APPENDIX A

Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2024, including as a part thereof, the Basic Financial Statements and Related Auditor's Report for the Fiscal Year ended June 30, 2024, as rendered by Cherry Bekaert LLP⁽¹⁾⁽²⁾

-
- ⁽¹⁾ This Appendix comprises the District's Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2024. In order to preserve cross-references within such pages, this Appendix has not been repaginated and, accordingly, retains the original pagination.
- ⁽²⁾ Cherry Bekaert LLP, the District's independent auditor, has not been engaged to perform and has not performed, since the date of its report included in this Appendix, any procedures on the financial statements addressed in that report. Cherry Bekaert LLP also has not performed any procedures relating to this Official Statement.

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ANNUAL COMPREHENSIVE FINANCIAL REPORT

for the Fiscal Years Ended June 30, 2024 and 2023

Hampton Roads Sanitation District
(A Component Unit of the Commonwealth of Virginia)





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HAMPTON ROADS SANITATION DISTRICT

ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED JUNE 30, 2024 AND 2023

PREPARED BY THE FINANCE DEPARTMENT



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INTRODUCTORY SECTION



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October 21, 2024

To the Hampton Roads Sanitation District (HRSD) Board of Commissioners and Our Customers:

We are pleased to submit this Annual Comprehensive Financial Report for the fiscal year ended June 30, 2024. Political subdivisions of the Commonwealth of Virginia are required to publish a complete set of audited financial statements. This report fulfills that requirement.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal control it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatements.

Cherry Bekaert LLP, Certified Public Accountants, has issued an unmodified ("clean") opinion on HRSD's financial statements for the year ended June 30, 2024. The independent auditors' report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A, which complements this letter of transmittal, should be read in conjunction with it.

Profile of HRSD

HRSD is an independent political subdivision of the Commonwealth of Virginia (the Commonwealth) created by referendum on November 5, 1940. HRSD was established to abate water pollution in the Hampton Roads area by providing a system of interceptor mains and wastewater treatment plants.

Approximately 1.9 million individuals, more than one-fifth of Virginia's population, reside in HRSD's service area, which is in the southeastern corner of the Commonwealth. HRSD's territory of approximately 5,000 square miles encompasses nine cities, eleven counties and several large military facilities. A brief history of HRSD is provided on page 7. HRSD is required by its Enabling Act to meet its obligations by charging user fees for its wastewater treatment services; no taxing authority is authorized by the Enabling Act. Currently, HRSD provides service and bills to approximately 488,000 service connections.

A board of eight commissioners (the Commission), appointed by the Governor of Virginia, governs HRSD. Commission members, who serve four-year staggered terms, can be reappointed without limitation, and may be suspended or removed at the Governor's pleasure. The Commission appoints a General Manager, who appoints the senior staff.

HRSD owns and operates 14 treatment plants. The eight major plants in Hampton Roads have design capacities ranging in size from 15 to 54 million gallons per day (MGD). Four of the major plants are located south of the James River and four are north of the James River. The combined capacity of these eight plants is approximately 225 MGD. HRSD's six small rural treatment plants have a combined capacity of 1.75 MGD.

HRSD maintains 538 miles of pipelines ranging from six inches to 66 inches in diameter. Interceptor pipelines, along with 89 pump stations in Hampton Roads, interconnect into two independent systems, one south of the James River and one north of the James River. The system allows some flow diversions to provide for maintenance or emergency work. HRSD owns and maintains 44 pump stations in the Small Communities.

Local Economy

HRSD's service area includes nearly all the Virginia Beach-Norfolk-Newport News Metropolitan Statistical Area (MSA). It is the eighth largest MSA in the southeastern United States and the 37th largest in the nation. Unlike many metropolitan areas, Hampton Roads' population nucleus is not confined to one central city. Instead, the approximately 1.9 million residents are spread among several cities and counties. Virginia Beach is the most populous city in the Commonwealth, with Norfolk and Chesapeake second and third, respectively. Suffolk is the largest city by land area. Unemployment rates remain below national averages in the region, which has a civilian labor force of approximately 850,000 as of June 2024.

The regional economy is supported by one of the highest military concentrations in the nation, diverse manufacturing and service sectors, shipbuilding and repair work, international port activities and tourism. Several state and private colleges and a large healthcare infrastructure also lend stability to the region.

A diverse customer base allows HRSD to maintain stable revenues. The ten largest customers account for only 8.0 percent of wastewater revenues for fiscal year 2024. In addition, HRSD's 2024 revenues contained only limited reliance (1.6 percent) on new customer connections.

Long-Term Financial Planning

HRSD's Financial Policy helps it maintain its solid fiscal health. Budgetary principles include using ongoing revenues to pay for ongoing expenses and establishing annual cash contribution goals of at least 15 percent of budgeted capital costs. Under the Financial Policy, adjusted debt service coverage ratios should not be less than 1.4 times annual debt service. Operating and ten-year capital improvement budgets are adopted annually. Included in the operating budget is a long-range financial forecast, which is guided by projections of operating and capital needs and the aforementioned Financial Policy requirements.

Major Initiatives

HRSD continues its ambitious \$3.7 billion, 10 year Capital Improvement Program. Regulatory requirements as part of the Chesapeake Bay restoration to reduce nutrient discharges and Clean Water Act compliance initiatives to ensure appropriate wet weather capacity exists within the regional sanitary sewer system, major plant upgrades and replacements of interceptor pipelines drive the capital program. Major projects are currently under construction at the James River, and Nansemond Treatment Plants. To minimize the impacts of its capital investments on ratepayers, HRSD continues to pursue grant and low-interest loan opportunities when available.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to HRSD for its annual comprehensive financial report (Annual Report) for the fiscal year ended June 30, 2023. This was the 41st consecutive year that HRSD has received this prestigious award. In order to be awarded a Certificate of Achievement, HRSD must publish an easily readable and efficiently organized Annual Report that satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current Annual Report 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.

The preparation of this Annual Report was made possible by the dedicated service of the entire Department of Finance staff. All members of the department have our sincere appreciation for their contributions to the preparation of this report. Credit must also be given to the Commission for their support for maintaining the highest standard of professionalism in the management of HRSD's finances.

Respectfully submitted,



Jay A. Bernas, P.E.
General Manager/CEO



Steven G. de Mik, CPA
Deputy General Manager/CFO



Kassandra Pagan
Director of Accounting



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Hampton Roads Sanitation District
Virginia**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Merrill

Executive Director/CEO

Principal Officials
June 30, 2024

COMMISSIONERS

Stephen C. Rodriguez, Chair

Frederick N. Elofson, CPA, Vice-Chair

Michael E. Glenn

Vishnu K. Lakdawala, PhD

Willie Levenston, Jr.

Nancy J. Stern

Elizabeth A. Taraski, PhD

Ann W. Templeman

COMMISSION SECRETARY

Jennifer L. Cascio

ASSISTANT COMMISSION SECRETARY

Elizabeth I. Scott

SENIOR STAFF

Jay A. Bernas, PE
General Manager

Steven G. de Mik, CPA
Deputy General Manager/CFO

Eddie Abisaab, PE, PMP, ENV SP
Director of Operations

Charles B. Bott, PhD, PE, BCEE
Director of Water Technology And
Research

Donald C. Corrado
Director of Information Technology

Bruce W. Husselbee, PhD,
PE, DBIA
Director of Engineering

Jamie Heisig-Mitchell
Director of Water Quality

Dorissa Pitts-Paige, PHR,
IPMA-SCP, SHRM-SCP
Director of Talent Management

Leila E. Rice, APR
Director of Communications

COUNSEL

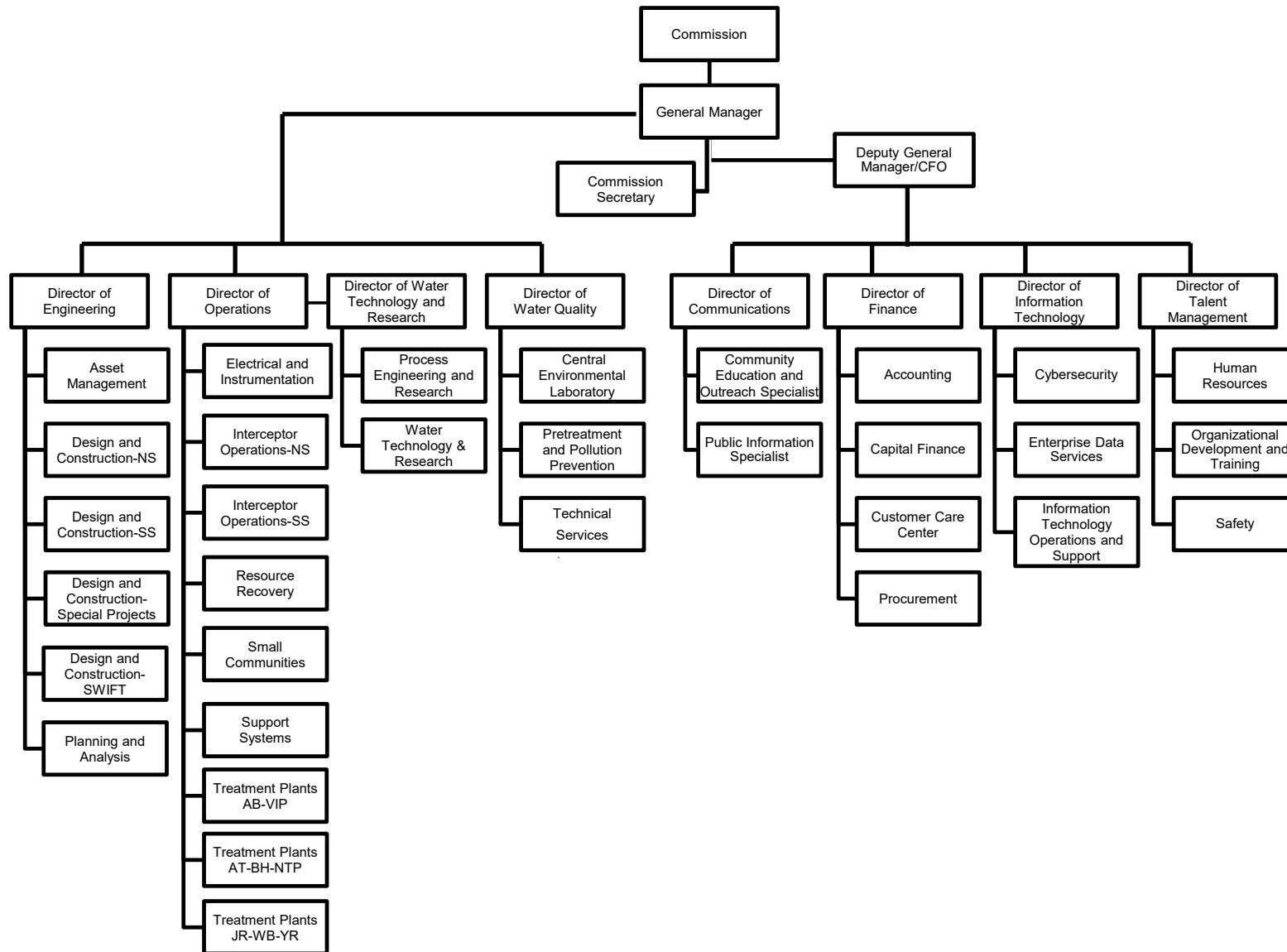
Sands Anderson, PC
General Counsel

AquaLaw, PLC
Special Counsel

Norton Rose Fulbright US, LLP
Bond Counsel

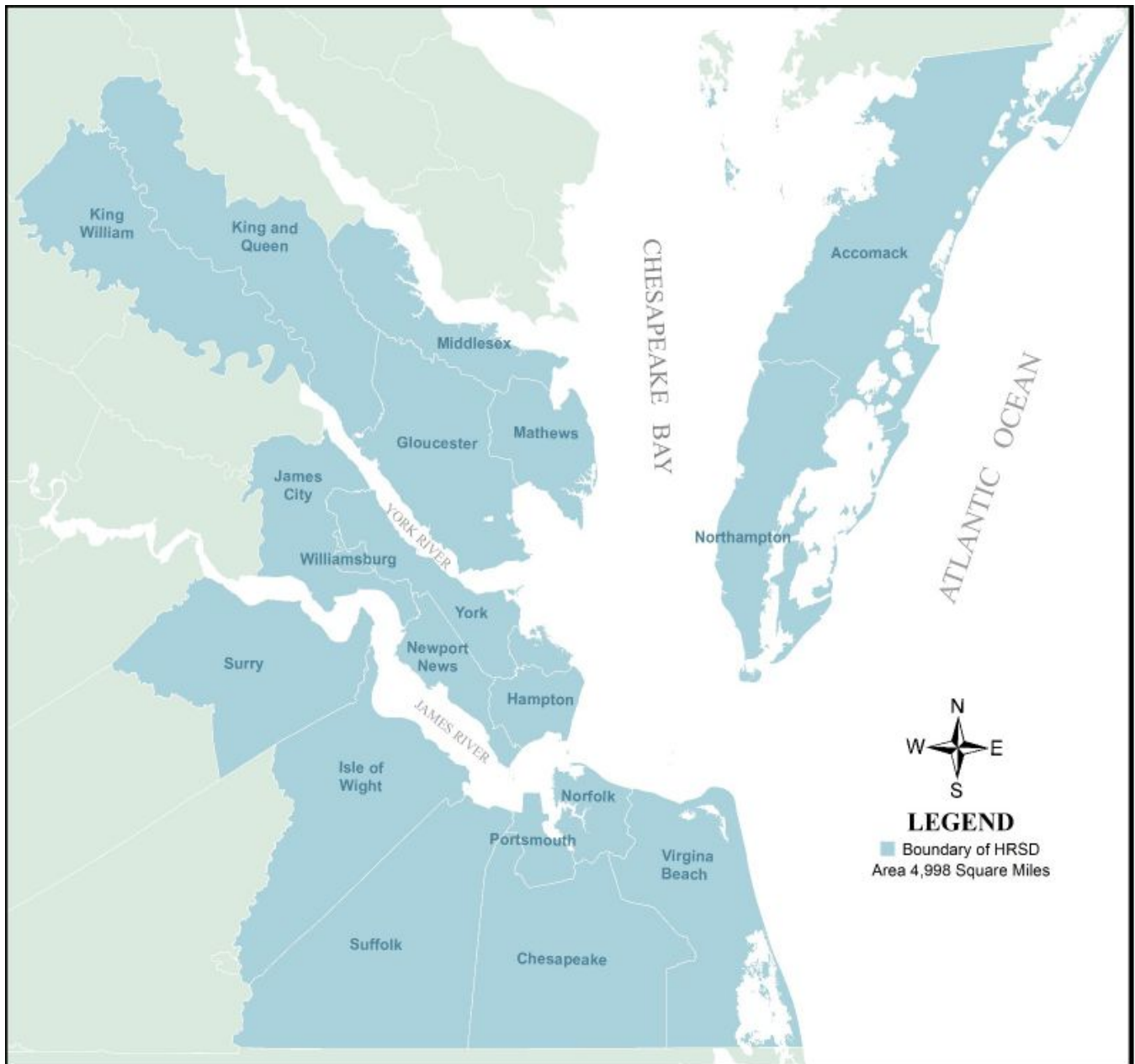
HRSD Organization Chart

June 30, 2024



HRSD Service Area

June 30, 2024



HRSD History

June 30, 2024

HRSD can trace its beginnings to 1925 when the Virginia Department of Health condemned a large oyster producing area in Hampton Roads. The closure resulted in the Virginia General Assembly creating in 1927 a “Commission to Investigate and Survey the Seafood Industry of Virginia.” Other studies recommended a public body to construct and operate a sewage system in the area. HRSD was named after Hampton Roads, a ship anchorage used for five centuries located near the convergence of the James, Elizabeth and Nansemond Rivers, before they flow into the Chesapeake Bay in southeastern Virginia.

In 1934, the Virginia General Assembly created the Hampton Roads Sanitation Disposal Commission with instructions to plan the elimination of pollution in Hampton Roads. Recommendations were made to the General Assembly, which resulted in the Sanitary Districts Law of 1938, along with “an Act to provide for and create the Hampton Roads Sanitation District.” This Act required the qualified voters within HRSD to decide in a general election on November 8, 1938, if they favored creation of such a District. This referendum failed to gain a majority by about 500 votes out of nearly 20,000 votes cast. This led to a revision of the Act and another referendum was held on November 5, 1940, which resulted in a majority vote for the creation of the Hampton Roads Sanitation District.

The Enabling Act provides for HRSD to operate as a political subdivision of the Commonwealth of Virginia for the specific purpose of water pollution abatement in Hampton Roads by providing a system of interceptor mains and wastewater treatment plants. Its affairs are controlled by a Commission of eight members appointed by the Governor for four-year terms. Administration is under the direction of a General Manager, supported by department directors and their staffs.

HRSD began operations on July 1, 1946, using facilities acquired from the United States Government. The Warwick County Trunk Sewer, HRSD’s first construction project, began on June 26, 1946, and was funded by HRSD’s \$6.5 million Primary Pledge Sewer Revenue Bonds, dated March 1, 1946. The first treatment plant, the Army Base Treatment Plant, began operation on October 14, 1947. Since that time, the facilities of HRSD have grown to provide sanitary sewer service to all major population centers in southeastern Virginia. The population served has increased from nearly 288,000 in 1940 to about 1.9 million in 2024.

Throughout its rich history HRSD has earned many of its industry’s most prestigious awards. This tradition continued as HRSD received the Water Resources Utility of the Future Today award from the Water Environment Federation as well as the Virginia Municipal League Innovation Award with locality partner, York County, for the first full-scale deammonification plant in the world and HRSD’s patented Partial Denitrification Anammox (PdNA) process at York River Treatment Plant.

Additional awards and honors received during the year ended June 30, 2024 include the 2024 National Association of Clean Water Agencies National Environmental Achievement Award in the Public Information and Education Video Category for its “National Infrastructure Week: James River Treatment Plant SWIFT Improvements” video. The HRSD Finance Department also earned the George F. Ames PISCES award in the Innovative Finance category from the Environmental Protection Agency (EPA).



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FINANCIAL SECTION



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Report of Independent Auditor

To the Commissioners
Hampton Roads Sanitation District

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the major fund and the aggregate remaining fund information of the Hampton Roads Sanitation District ("HRSD"), a component unit of the Commonwealth of Virginia, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise HRSD's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund and the aggregate remaining fund information of HRSD, as of June 30, 2024 and 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits 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 (the "Specifications"). Our responsibilities under those standards and Specifications are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of HRSD, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Specifications, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of HRSD 's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about HRSD 's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information, as listed in the Table of Contents, 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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2024, on our consideration of HRSD's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of HRSD's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HRSD's internal control over financial reporting and compliance.



Virginia Beach, Virginia
October 21, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

This narrative overview and analysis of the financial activities of the Hampton Roads Sanitation District (HRSD) for the fiscal years ended June 30, 2024 and 2023, is provided by HRSD's management. Readers of the accompanying financial statements are encouraged to consider this information in conjunction with that furnished in the transmittal letter, which can be found on pages 1 through 2 of this report.

FINANCIAL HIGHLIGHTS

- Total net position increased by \$174.6 million, or 14.8 percent, in 2024 as a result of fiscal year 2024 operations. Total net position increased by \$117.5 million, or 11.1 percent in fiscal year 2023.
- Fiscal year 2024, total revenues increased by \$46.1 million, or 11.4 percent, mainly due to a \$39.0 million increase in operating revenues generated from a 9 percent increase in wastewater treatment rates and a \$7.6 million increase in investment income primarily due to elevated interest rates. Similarly, total revenues increased \$37.9 million, or 10.4 percent in fiscal year 2023. This increase was mainly due to a \$30.0 million increase in operating revenues generated from an increase in wastewater treatment rates and a \$7.7 million increase in investment income primarily due to higher interest rates.
- Operating expenses increased by \$26.5 million, or 10.3 percent in fiscal year 2024. Most of this increase was attributable to a \$10.9 million increase in salaries and fringe benefits, a \$7.5 million increase in major repairs and improvements, a \$2.3 million increase in bad debt expense, and \$3.7 million increase in general materials, utilities and chemical purchases. For fiscal year 2023, operating expenses increased by \$23.8 million, or 10.2 percent mainly due to inflationary pressures which drove increases of \$3.8 million in chemical expenses, \$3.1 million in utility costs, \$1.8 million in bad debt expense, \$3.0 million in general materials, and \$5.1 million in major repair expenses. Wage and position increases created a \$5.2 million increase in salary and benefits.
- Cash and cash equivalents restricted for debt service decreased \$11.5 million, or 34.1 percent, in fiscal year 2024. Unrestricted cash and cash equivalents increased \$68.3 million, or 46.1 percent, primarily due to the utilization of debt proceeds, the receipt of grant funds for capital construction projects, and the reduction in the amount of restricted cash and cash equivalents. Fiscal year 2023 reflected an increase in restricted cash and cash equivalents of \$0.7 million, or 2.1 percent, due to an increase in cash restricted for debt service. Unrestricted cash and cash equivalents decreased \$14.6 million, or 6.5 percent, primarily due to receipt of debt proceeds to fund capital construction projects.
- Net Property, Plant and Equipment's increase of \$499.3 million, or 24.8 percent, was mostly due to a \$465.6 million increase in construction in progress associated with three large capital projects. Fiscal year 2023 reflected a similar increase of \$297.2 million, or 17.3 percent, due to a \$284.7 million net increase in construction in progress, and a \$8.0 million increase in land acquisitions.

OVERVIEW OF FINANCIAL STATEMENTS

HRSD's Basic Financial Statements are comprised of the financial statements and the notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the Basic Financial Statements.

The Basic Financial Statements, found on pages 20 through 25 of this report, are designed to provide readers with a broad overview of HRSD's finances in a manner similar to a private sector business.

The Statements of Net Position, found on pages 20 and 21 of this report, present information on all of HRSD's assets, deferred outflows of resources, liabilities, and deferred inflows of resources; the difference between these components is reported as net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of HRSD is improving or deteriorating.

The Statements of Revenues, Expenses and Changes in Net Position, found on page 22 of this report, present all of HRSD's revenues and expenses, showing how HRSD's net position changed during the year. All changes in net position are reported as soon as the underlying event takes place, thus giving rise to the changes, regardless of the timing of the cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods.

The Statements of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position, found on pages 24 and 25, provide information on the control of assets for which HRSD has a fiduciary responsibility and the beneficiaries with whom a fiduciary responsibility and are discussed in Notes 2 and 14.

The Notes to Financial Statements, found on pages 26 through 60 of this report, provide additional information that is essential to a full understanding of the data provided in the financial statements.

In addition to the Basic Financial Statements and the related notes, this report also presents certain required supplementary information concerning HRSD's progress in funding its obligations to provide pension and other postemployment benefits to its employees.

Required Supplementary Information can be found beginning on page 66 of this report.

FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of HRSD's financial position. Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$1.35 billion as of June 30, 2024 and by \$1.18 billion as of June 30, 2023.

By far, the largest portion of HRSD's net position (82.2 percent and 83.4 percent as of June 30, 2024 and 2023, respectively) reflects its net investment in capital assets (e.g. land, buildings, machinery and equipment) less any related debt used to acquire those assets still outstanding. HRSD uses these capital assets to provide services to its customers. Consequently, these assets are not available for future spending. Although HRSD's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, because the capital assets themselves cannot be liquidated to reduce these liabilities.

HRSD's net position is summarized in the following condensed Statements of Net Position as of June 30:

HRSD's Condensed Statements of Net Position

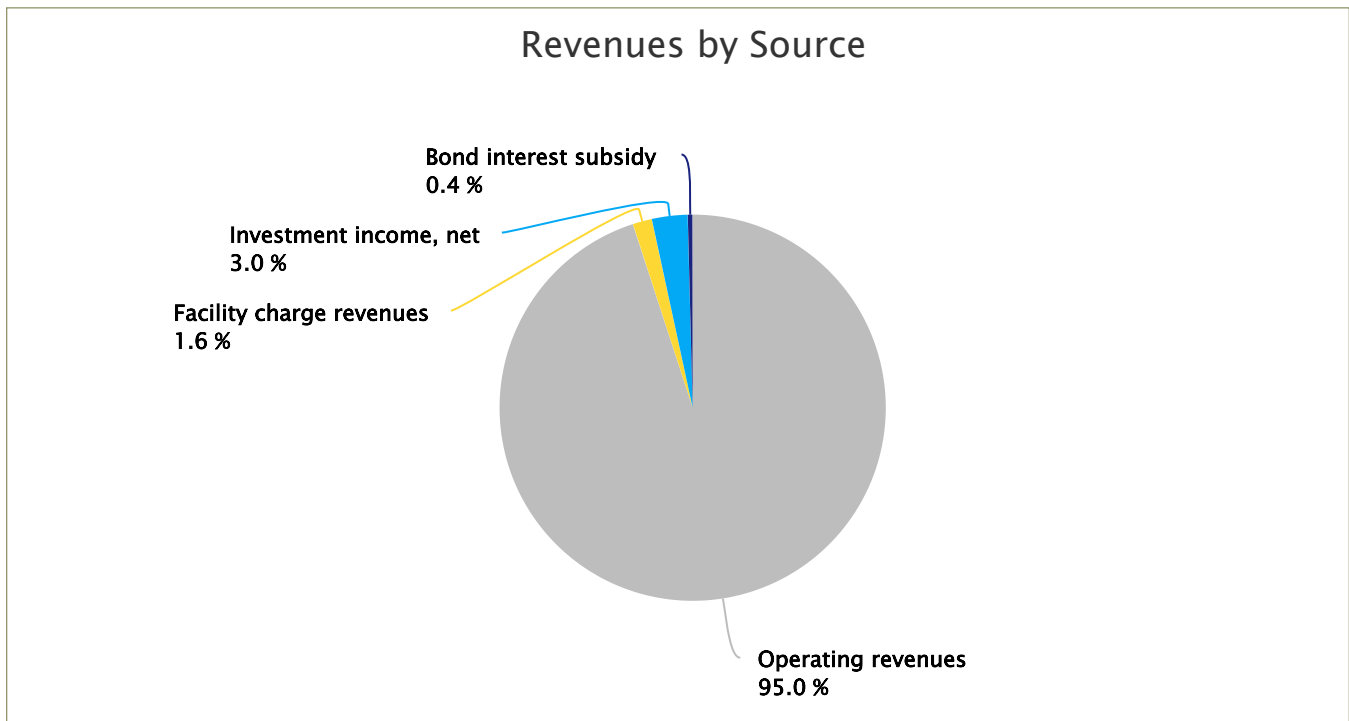
(in thousands)				2024 vs. 2023	
	2024	2023	2022	Dollars	Percent
Capital assets	\$ 2,511,633	\$ 2,012,351	\$ 1,715,108	\$ 499,282	24.8%
Current and noncurrent assets	406,262	334,314	346,767	71,948	21.5%
Total assets	2,917,895	2,346,665	2,061,875	571,230	24.3%
Deferred outflows of resources	39,373	37,522	42,611	1,851	4.9%
Long-term liabilities	1,252,524	917,223	796,272	335,301	36.6%
Current liabilities	336,462	271,225	211,670	65,237	24.1%
Total liabilities	1,588,986	1,188,448	1,007,942	400,538	33.7%
Deferred inflows of resources	16,625	18,717	37,060	(2,092)	(11.2%)
Net investment in capital assets	1,110,507	981,437	832,427	129,070	13.2%
Restricted for debt service	22,307	33,830	33,134	(11,523)	(34.1%)
Unrestricted	218,843	161,755	193,923	57,088	35.3%
Total net position	\$ 1,351,657	\$ 1,177,022	\$ 1,059,484	\$ 174,635	14.8%

The increase in capital assets is primarily due to the significant increase in construction in progress, most notably for major expansion projects at two of HRSD's treatment plants in both fiscal years 2024 and 2023.

The changes in HRSD's net position can be determined by reviewing the following condensed Statements of Revenues, Expenses and Changes in Net Position:

HRSD's Condensed Statements of Revenues, Expenses and Changes in Net Position

(in thousands)	2024 vs. 2023				
	2024	2023	2022	Dollars	Percent
Revenues:					
Operating revenues	\$ 426,941	\$ 387,935	\$ 357,946	\$ 39,006	10.1%
Facility charge revenues	7,153	7,293	7,072	(140)	(1.9%)
Investment income, net	13,673	6,068	(1,651)	7,605	125.3%
Bond interest subsidy	1,622	2,015	2,052	(393)	(19.5%)
Total revenues	449,389	403,311	365,419	46,078	11.4%
Operating expenses:					
Wastewater treatment	167,327	149,532	134,135	17,795	11.9%
General and administrative	60,152	53,995	45,673	6,157	11.4%
Depreciation and amortization	57,053	54,469	54,357	2,584	4.7%
Total operating expenses	284,532	257,996	234,165	26,536	10.3%
Non-operating expenses:					
Bond issuance costs	1,000	98	311	902	920.4%
Capital distributions to localities	2,005	2,422	13	(417)	(17.2%)
Interest expense	33,642	27,132	25,007	6,510	24.0%
Total non-operating expenses	36,647	29,652	25,331	6,995	23.6%
Total expenses	321,179	287,648	259,496	33,531	11.7%
Income before capital contributions	128,210	115,663	105,923	12,547	10.8%
Capital contributions	46,425	1,875	2,737	44,550	2376.0%
Change in net position	174,635	117,538	108,660	57,097	48.6%
Total net position - beginning	1,177,022	1,059,484	950,824	117,538	11.1%
Total net position - ending	\$ 1,351,657	\$ 1,177,022	\$ 1,059,484	\$ 174,635	14.8%



Operating revenues increased by \$39.0 million, or 10.1 percent, in 2024 and by \$30.0 million, or 8.4 percent, in 2023. The primary increases were due to wastewater rate increases each year of approximately 9.0 percent. Net Investment income increased \$7.6 million in 2024, or 125.3 percent, primarily due to higher interest rates, compared to a \$7.7 million increase, or 467.5 percent, in 2023.

Operating expenses increased by \$26.5 million, or 10.3 percent in 2024 and increased \$23.8 million, or 10.2 percent, in 2023. For the fiscal year ending June 30, 2024, salaries and fringe benefits increased \$10.9 million because of salary increases and increases in authorized staffing levels. Major repairs and improvements increased \$7.5 million mainly attributed to \$6.2 million in land improvements associated with the James River SWIFT project. Bad debt expense increased \$2.3 million, attributed to a combination of the increase in the general wastewater rate and the reduction of available low income assistance programs for customers. General materials, utilities and chemical purchases increased \$3.7 million primarily as a result of inflationary pressures. Depreciation and amortization expenses increased \$2.6 million. Increases in fiscal year 2023 were due to inflationary pressures which drove increases of \$3.8 million in chemical expenses, \$3.1 million in utility costs, \$1.8 million in bad debt expense, \$3.0 million in general materials, and \$5.1 million in major repair expenses. Wage and position increases created a \$5.2 million increase in salary and benefits.

In 2024 and 2023, HRSD received \$46.4 million and \$1.9 million, respectively, in capital contributions to help pay for its capital improvement program.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2024 and 2023, HRSD had approximately \$2.5 billion and \$2.0 billion, respectively, invested in a broad range of capital assets, including land, wastewater treatment plants, interceptor systems, pump stations, administrative and maintenance buildings, equipment and software. These amounts represent a net increase of \$499.3 million, or 24.8 percent in 2024 and a net increase of \$297.2 million, or 17.3 percent in 2023.

The following summarizes HRSD's capital assets, net of accumulated depreciation, as of June 30:

HRSD's Capital Assets

(in thousands)	2024	2023	2022
Land	\$ 64,198	\$ 64,198	\$ 56,170
Treatment plants	627,956	644,214	666,215
Interceptor systems	598,700	561,916	537,431
Buildings	42,076	44,022	43,553
Small community facilities	14,928	15,474	15,882
Office equipment	930	569	787
Automotive	5,890	3,481	1,368
Other equipment	50,894	38,158	38,116
Software and intangible assets	214	71	0
	1,405,786	1,372,103	1,359,522
Construction in progress	1,105,847	640,248	355,586
Net property, plant and equipment	\$ 2,511,633	\$ 2,012,351	\$ 1,715,108

The following summarizes the changes in capital assets for the years ended June 30:

(in thousands)	2024	2023	2022
Balance at beginning of year	\$ 2,012,351	\$ 1,715,108	\$ 1,604,841
Additions	90,736	67,050	92,184
Transfers/Retirements	(941)	-	(1,460)
Depreciation and amortization	(57,053)	(54,469)	(54,357)
Accumulated depreciation retired	941	-	1,460
Net increase (decrease) in construction in progress	465,599	284,662	72,440
Balance at end of year	\$ 2,511,633	\$ 2,012,351	\$ 1,715,108

HRSD's total capital expenditures were \$577.4 million during 2024 and \$366.6 million in 2023. The continued capital improvement efforts for treatment plant expansion projects at the James River and Nansemond Treatment Plants and the Boat Harbor sub-aqueous transmission forcemain and pump station projects were the largest contributors to the increase in expenses. Similarly, fiscal year 2023 was largely attributed to the same projects.

Long Term Debt

The balance for HRSD's total bonds outstanding including bond premium was \$1.3 billion as of June 30, 2024, versus \$979.7 million at fiscal year end 2023, a 34.47 percent increase year over year. Outstanding notes payable increased to \$100.0 million at fiscal year end 2024 from \$68.6 million at fiscal year end 2023, a 45.82 percent increase year over year. To achieve interest rate savings, HRSD issued Wastewater Revenue Bonds, Series 2024A in the amount of \$115.5 million to refund \$99.3 million in outstanding principal of its Build America Bonds Wastewater Revenue Bonds, Series 2009B and \$26.1 million in outstanding principal of its Wastewater Revenue Bonds, Series 2014A. This issuance resulted in a present value savings of \$3.8 million. With HRSD's issuance of Wastewater Revenue Bond, Series 2024A, HRSD fully discharged all debt previously identified as senior lien obligations. With no debt priority, all debt is now identified as senior obligations.

Draws on existing approved bonds, or loans for which a liability is not recognized until utilized, in the amount of \$386.3 million, were offset by payments on existing debt, in the amount of \$48.1 million. Unamortized bond premium as of June 30, 2024, was \$23.1 million versus \$13.7 million at fiscal year end 2023.

The following summarizes HRSD's outstanding debt principal as of June 30:

HRSD's Outstanding Debt

(in thousands)	2024	2023	2022
Senior revenue bonds (including Bond Premium)	\$ 1,317,445	\$ 166,268	\$ 186,226
Subordinate revenue bonds (including Bond Premium)	-	813,474	682,246
Notes Payable	100,000	68,580	33,721
Total outstanding debt	\$ 1,417,445	\$ 1,048,322	\$ 902,193

HRSD's financial strengths are reflected in its high credit ratings listed below:

Ratings Agency	Senior Debt
Standard & Poor's	AA+
Fitch Ratings	AA+
Moody's Investors Service	Aa1

The development of HRSD's Capital Improvement Program and its related debt programs are governed by its Trust Agreement. The Trust Agreement, as amended, requires a minimum debt service coverage of 1.2 times maximum annual debt service on an "Adjusted" debt service coverage basis. The "adjusted" debt service coverage permits certain expenses to be excluded from the calculation of debt service coverage. These adjustments are permitted for certain wet weather capacity related infrastructure capital improvements that HRSD makes on assets owned by the localities that HRSD serves.

"Operating Expenses" as defined by the Enabling Act and the Trust Agreement, includes those expenses required to pay the cost of maintaining, repairing and operating the Wastewater System, including, but not limited to, reasonable and necessary usual expenses of administration, operation, maintenance and repair, costs for billing and collecting the rates, fees and other charges for the use of or the services furnished by the Wastewater System, insurance premiums, credit enhancement and liquidity support fees, legal, engineering, auditing and financial advisory expenses, expenses and compensation of the Trustee, and deposits into a self-insurance program. Operating Expenses exclude depreciation and amortization and expenditures for extraordinary maintenance or repair or improvements. Additionally, Operating Expenses shall exclude expenses for improvements that will not be owned by HRSD, but which will, in the reasonable determination of the Commission, as evidenced by a resolution thereof, maintain or improve the integrity of the Wastewater System.

HRSD's Financial Policy requires the adjusted debt service coverage ratio to be a minimum of 1.4 times annual debt service. HRSD's operating and capital improvement plans were developed with the intent to maintain coverage ratios in excess of this requirement.

	Senior Debt Service Coverage		Total Debt Service Coverage	
	GAAP	Adjusted	GAAP	Adjusted
Senior Trust Agreement	1.20x (MADS)	None	1.00x (MADS)	None
Financial Policy	None	1.50x (Current Year)	None	1.40x (Current Year)

More detailed information regarding HRSD's capital assets and long-term debt is presented in Notes 5 and 9, respectively.

ECONOMIC FACTORS AND RATES

Average billed consumption continues to moderately decline most years as more efficient home appliances and industrial processes are utilized throughout the region. Billed consumption increased in 2021 during the pandemic but declined slightly in 2023 to a level comparable to 2018. In 2024, billed consumption was flat and did not decline when compared to 2023.

HRSD implemented a wastewater treatment rate increase for the 2024 fiscal year to fund its operations and capital investments. As HRSD continues to implement its expansive \$3.7 billion, 10-year capital improvement program, it seeks to maximize federal and state subsidized low interest borrowing programs and grant opportunities to lower costs to our customers.

CONTACTING HRSD'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of HRSD's finances for all those with an interest. Questions concerning the information provided in this report or any requests for additional information should be addressed to the Deputy General Manager/Chief Financial Officer, 1434 Air Rail Avenue, Virginia Beach, Virginia 23455.

**STATEMENTS OF NET POSITION
AS OF JUNE 30, 2024 AND 2023**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

(in thousands)

	2024	2023
CURRENT ASSETS		
Cash and cash equivalents	\$ 216,611	\$ 148,295
Cash and cash equivalents - restricted	22,307	33,830
Accounts receivable, net	70,524	60,081
Other current assets	4,616	3,029
TOTAL CURRENT ASSETS	314,058	245,235
NONCURRENT ASSETS		
Investments	65,916	63,074
Inventory	26,288	26,005
	92,204	89,079
NET PROPERTY, PLANT AND EQUIPMENT		
Land	64,198	64,198
Treatment plants	1,490,990	1,474,641
Interceptor systems	846,052	793,863
Buildings	69,835	69,759
Small community facilities	26,094	26,094
Office equipment	45,881	45,353
Automotive	24,655	21,694
Other equipment	96,844	79,329
Software and intangible assets	40,332	40,155
	2,704,881	2,615,086
Less: Accumulated depreciation and amortization	1,299,095	1,242,983
	1,405,786	1,372,103
Construction in progress	1,105,847	640,248
NET PROPERTY, PLANT AND EQUIPMENT	2,511,633	2,012,351
TOTAL NONCURRENT ASSETS	2,603,837	2,101,430
TOTAL ASSETS	2,917,895	2,346,665
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on debt refunding, net	16,319	17,409
Differences between expected and actual experience:		
OPEB plans	7,282	8,582
Pension plan	7,483	127
Changes of assumptions:		
OPEB plans	2,414	215
Pension plan	1,416	4,064
Net difference between projected and actual earnings on:		
OPEB plans investments	-	3,037
Change in proportion, OPEB plans	35	54
Contributions subsequent to the measurement date:		
OPEB plans	496	442
Pension plan	3,928	3,592
TOTAL DEFERRED OUTFLOWS OF RESOURCES	39,373	37,522
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 2,957,268	\$ 2,384,187

See Accompanying Notes to Financial Statements

STATEMENTS OF NET POSITION AS OF JUNE 30, 2024 AND 2023

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

(in thousands)

	2024	2023
CURRENT LIABILITIES		
Trade and contracts payable	\$ 70,836	\$ 62,660
Contract retention	33,380	17,105
Accrued salaries and wages	1,955	1,393
Current portion of bonds payable	53,642	45,561
Variable rate demand bonds	50,000	50,000
Notes payable	100,000	68,580
Current portion of compensated absences	8,402	8,611
Debt interest payable	7,090	8,492
Other liabilities	11,157	8,823
TOTAL CURRENT LIABILITIES	336,462	271,225
LONG-TERM LIABILITIES		
Compensated absences	2,092	1,484
Net OPEB liability	8,021	13,221
Net pension liability	28,608	18,337
Bonds payable	1,213,803	884,181
TOTAL LONG-TERM LIABILITIES	1,252,524	917,223
TOTAL LIABILITIES	1,588,986	1,188,448
DEFERRED INFLOWS OF RESOURCES		
Differences between expected and actual experience:		
OPEB plans	6,311	4,101
Pension plan	169	459
Changes of assumptions, OPEB plans	4,938	5,925
Net difference between projected and actual earnings on:		
OPEB plans investments	837	219
Pension plan investments	4,230	7,857
Change in proportion, OPEB plans	140	156
TOTAL DEFERRED INFLOWS OF RESOURCES	16,625	18,717
NET POSITION		
Net investment in capital assets	1,110,507	981,437
Restricted for debt service	22,307	33,830
Unrestricted	218,843	161,755
TOTAL NET POSITION	1,351,657	1,177,022
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 2,957,268	\$ 2,384,187

See Accompanying Notes to Financial Statements

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2024 and 2023**

(in thousands)

	2024	2023
OPERATING REVENUES		
Wastewater treatment charges	\$ 422,784	\$ 383,115
Miscellaneous	4,157	4,820
TOTAL OPERATING REVENUES	426,941	387,935
 OPERATING EXPENSES		
Wastewater treatment	167,327	149,532
General and administrative	60,152	53,995
Depreciation and amortization	57,053	54,469
TOTAL OPERATING EXPENSES	284,532	257,996
 OPERATING INCOME	142,409	129,939
 NON-OPERATING REVENUES (EXPENSES)		
Wastewater facility charges	7,153	7,293
Investment income	13,673	6,068
Bond interest subsidy	1,622	2,015
Bond issuance costs	(1,000)	(98)
Capital distributions to localities	(2,005)	(2,422)
Interest expense	(33,642)	(27,132)
NET NON-OPERATING EXPENSES	(14,199)	(14,276)
 INCOME BEFORE CAPITAL CONTRIBUTIONS	128,210	115,663
 CAPITAL CONTRIBUTIONS		
Capital grants received	34,183	234
Other capital contributions	12,242	1,641
CAPITAL CONTRIBUTIONS	46,425	1,875
 CHANGE IN NET POSITION	174,635	117,538
 TOTAL NET POSITION - Beginning	1,177,022	1,059,484
 TOTAL NET POSITION - Ending	\$ 1,351,657	\$ 1,177,022

See Accompanying Notes to Financial Statements

STATEMENTS OF CASH FLOWS

FOR THE FISCAL YEARS ENDED JUNE 30, 2024 and 2023

(in thousands)	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 407,016	\$ 379,539
Other operating revenues	4,157	4,820
Cash payments to suppliers for goods and services	(149,158)	(138,487)
Cash payments to employees for services	(70,721)	(65,813)
Net cash provided by operating activities	191,294	180,059
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Capital distributions to localities	(2,005)	(2,422)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Wastewater facility charges	7,153	7,293
Acquisition and construction of property, plant and equipment	(532,696)	(329,699)
Proceeds from capital debt	417,673	188,540
Bond interest subsidy	1,622	2,015
Principal paid on capital debt	(48,138)	(39,588)
Funds from debt defeasance	806	-
Capitalized interest expense	(1,713)	-
Capital grants	34,183	234
Other capital contributions	12,242	1,641
Bond issuance costs	(1,000)	(98)
Interest paid on interim financing	(4,661)	(1,159)
Interest paid on capital debt	(28,798)	(26,802)
Net cash used in capital and related financing activities	(143,327)	(197,623)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends on investments	10,831	5,926
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND CASH AND CASH EQUIVALENTS - RESTRICTED	56,793	(14,060)
CASH AND CASH EQUIVALENTS, AND CASH AND CASH EQUIVALENTS - RESTRICTED, AT BEGINNING OF YEAR	182,125	196,185
CASH AND CASH EQUIVALENTS, AND CASH AND CASH EQUIVALENTS - RESTRICTED, AT END OF YEAR	\$ 238,918	\$ 182,125
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 142,409	\$ 129,939
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	57,053	54,469
(Increase) in operating assets:		
Accounts receivable	(10,443)	(588)
Inventory	(283)	(708)
Other current assets	(1,587)	(169)
Increase (decrease) in operating liabilities:		
Trade and contracts payable	812	(1,343)
Accrued salaries and wages	562	(2,143)
Compensated absences	399	1,877
Other liabilities	2,334	1,212
OPEB liabilities and related deferred inflows and outflows	(1,272)	(527)
Pension liabilities and related deferred inflows and outflows	1,310	(1,960)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 191,294	\$ 180,059
Noncash Capital and Related Financing Activities:		
Proceeds of refunding debt principal	\$ 115,585	\$ -
Refunding of debt principal	(125,400)	-
Accrual for capital expenditures	7,365	10,767
Amortization of premium	9,403	(2,822)
Amortization of deferred loss on bond refunding	1,090	2,104

See Accompanying Notes to Financial Statements

**STATEMENTS OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2024 and 2023**

(in thousands)

	OPEB (RHP) Trust Fund		Custodial Funds (ARPA)	
	2024	2023	2024	2023
ASSETS				
Cash and cash equivalents	\$ 818	\$ 195	\$ -	\$ 4
Investments at fair value				
Domestic equity	31,220	26,791	-	-
International equity	15,465	13,616	-	-
Fixed income	25,608	24,016	-	-
Other income	2,646	2,805	-	-
Total investments	74,939	67,228	-	-
TOTAL ASSETS	\$ 75,757	\$ 67,423	\$ -	\$ 4
NET POSITION				
Restricted for:				
Postretirement benefits for OPEB	75,757	67,423	-	-
Individuals, organizations and others	-	-	-	4
TOTAL NET POSITION	\$ 75,757	\$ 67,423	\$ -	\$ 4

See Accompanying Notes to Financial Statements

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION FOR THE FISCAL YEARS ENDED JUNE 30, 2024 and 2023

(in thousands)

	OPEB (RHP) Trust Fund		Custodial Funds (ARPA)	
	2024	2023	2024	2023
ADDITIONS:				
Contribution from HRSD	\$ 1,914	\$ 2,467	\$ -	\$ -
Custodial Fund Additions	-	-	-	4
Net investment income	8,270	5,148	-	-
Investment related expenses	(64)	(138)	-	-
Total Additions	10,120	7,477	-	4
DEDUCTIONS:				
Benefit payments for participants	1,786	2,191	-	-
Payments for customers	-	-	4	-
Total Deductions	1,786	2,191	4	-
Change in Net Position	8,334	5,286	(4)	4
Net Position - Beginning	67,423	62,137	4	-
NET POSITION - ENDING	\$ 75,757	\$ 67,423	\$ -	\$ 4

See Accompanying Notes to Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - GENERAL INFORMATION

Organization and Administration

The Hampton Roads Sanitation District (HRSD) was created by the Virginia General Assembly in 1940, as a political subdivision of the Commonwealth of Virginia (the Commonwealth), to construct, maintain, and operate a wastewater treatment system in the Hampton Roads area. The Hampton Roads Sanitation District Commission (the Commission) is HRSD's governing body and consists of eight members, appointed by the Governor. The Commission's functions were updated by Chapter 66 of the Acts of the Assembly of Virginia of 1960, as amended. The administration of HRSD is under the direction of a General Manager, supported by eight department directors.

Regulatory Oversight

HRSD's operations are subject to regulations established by the United States Environmental Protection Agency and the Virginia Department of Environmental Quality. HRSD currently meets all of its permit requirements. Changes in these regulations could require HRSD to modify its treatment processes and require additional capital investment and/or incur additional costs.

Purpose of HRSD

HRSD was created for the specific purpose of abating pollution in the Hampton Roads area through the interception of wastewater outfalls, installation of interception service into new areas as necessary and providing treatment facilities. HRSD provides points of interception throughout the region. The responsibility of providing lateral sewers and subtrunk facilities to carry sewage from industries, residences and businesses is generally the responsibility of the local municipal governments.

Corporate Limits of HRSD

The geographical limits of HRSD include:

City of Chesapeake	City of Virginia Beach	King William County
City of Hampton	City of Williamsburg	Mathews County
City of Newport News	Accomack County	Middlesex County
City of Norfolk	Gloucester County	Northampton County
City of Poquoson	Isle of Wight County	Surry County*
City of Portsmouth	James City County	York County
City of Suffolk	King and Queen County	*Excluding the Town of Claremont

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

HRSD is a political subdivision of the Commonwealth and a government instrumentality. The Commission is granted corporate powers by the *Code of Virginia*. The Governor of the Commonwealth appoints the Commission members, who serve at his pleasure. HRSD is reported in the Commonwealth's Annual Comprehensive Financial Report as a discretely presented component unit. The Commonwealth is not obligated to repay HRSD's debt. HRSD derives its revenues primarily from charges for wastewater treatment services. HRSD has no taxing authority. The Retiree Health Plan (RHP), as further described under Postemployment Benefits Other Than Pensions in this note and in Note 7, is reported in the fiduciary fund financial statements and, since HRSD has assumed responsibility to make contributions to the plan, it is also reported as a fiduciary component unit.

Basis of Accounting

The accompanying financial statements report the financial position and results of operations of HRSD in accordance with accounting principles generally accepted in the United States of America (GAAP). Because HRSD is a

political subdivision of the Commonwealth, the preparation of HRSD's financial statements are governed by the pronouncements of the Governmental Accounting Standards Board (GASB). These statements are prepared on an enterprise fund basis and present HRSD's operating revenues and expenses in a manner similar to a private business, where the costs, including depreciation, of providing services to the general public on a continuing basis are financed or recovered primarily through user charges.

An enterprise fund, a proprietary fund type, is accounted for on an economic resources measurement focus. All assets and liabilities, whether current or noncurrent, associated with its activities are included on its Statements of Net Position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in fund equity. The financial statements are presented using the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

Budgetary Accounting and Control

HRSD operates in accordance with annual operating and capital budgets prepared on a basis of accounting that is different from generally accepted accounting principles. The operating budget is adopted by department, with budgetary controls exercised administratively by management at the department level. The General Manager is authorized to transfer funds among departments without further approval by the Commission. The Capital Budget represents a ten-year plan. Funds for the Capital Budget are appropriated throughout a fiscal year on a project basis. Transfers among projects require approval by the Commission. Appropriations for these budgets continue until the purpose of the appropriation has been fulfilled.

Fiduciary Activities

The accompanying financial statements for the fiscal years ended June 30, 2024 and 2023 include information on the RHP, one of HRSD's three postemployment benefits other than pensions (other postemployment benefits, or OPEB) plans, information on funds held by HRSD to apply toward customer accounts under the American Recovery Plan Act (ARPA). The RHP plan is discussed in Note 7, and ARPA is discussed in Note 14.

Cash Equivalents

All short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to cash, and at the day of purchase, have an original maturity date of no longer than three months. Current restricted cash and cash equivalents are for debt service payments payable within the next year. Investments in the Virginia Investment Pool (VIP) Stable NAV Liquidity Pool provide HRSD an investment vehicle that offers daily liquidity at a stable net asset value (NAV). Investments in the VIP Liquidity Pool are recorded at fair value approximating NAV. Fair value is determined daily. See Notes 3 and 13 for additional discussion of cash and cash equivalent and investment valuations.

Investments

HRSD changed the classification of its investment in the VIP 1-3 Year High Quality Bond Fund from Noncurrent Assets - Cash and cash equivalents to Noncurrent Assets - Investments. The VIP 1-3 Year High Quality Bond Fund has an average effective duration period of 1.78 years and although the funds are easily convertible into cash, the intention of HRSD is to hold the funds as an investment.

Investments in VIP 1-3 Year High Quality Bond Fund consist of U.S. government obligations including agencies, FDIC-guaranteed corporate notes, other corporate notes and bonds, and municipal bonds, which are reported at fair value, approximating NAV. The HRSD RHP investments consist of domestic equity, international equity, fixed income, other income, and money market instruments. HRSD's investment practices are governed by its Financial Policy. See Notes 3, 7 and 13 for additional information on RHP investments.

Allowance for Uncollectible Accounts

HRSD provides an allowance for estimated uncollectible accounts receivable based on its bad debt experience. The balance in the allowance for uncollectible accounts is considered by management to be sufficient to cover anticipated losses on reported receivable balances.

Inventory

Inventory is carried at the lower of cost or fair value and consists primarily of operating and maintenance materials.

NOTES TO THE FINANCIAL STATEMENTS

Property, Plant and Equipment

HRSD funds its capital improvement program through the issuance of debt and its own resources. The proceeds of debt are reported as restricted assets. Generally, for projects funded with both debt proceeds and other resources, it is HRSD's policy to use available debt proceeds to pay project expenditures prior to using its own resources.

Property, plant and equipment purchased or constructed are reported at cost, including interest cost on funds borrowed to finance the construction of major capital additions. The asset capitalization threshold is \$20,000. Donated assets are reported at acquisition value at the date of donation. Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Treatment plants, buildings and facilities	30 years
Interceptor systems	50 years
Office furniture and equipment	5-10 years
Software and intangible assets	5-7 years
Automotive	5 years

Depreciation and amortization recognized on property, plant and equipment is an operating expense.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net assets that applies to a future period and as such will not be recognized as an expense until then. HRSD has two types of deferred outflows reported: deferred outflows of resources from debt refunding, and deferred outflows of resources from pension and OPEB activities. The deferred outflows of resources relating to the debt refunding is the amount by which the principal and premium of a refunding bond exceed the net carrying amount of the refunded debt. Deferred outflow related to debt is being amortized over the remaining life of the refunded debt or the life of the new debt, whichever is shorter.

Deferred inflows of resources represents an acquisition of net assets that applies to a future period and as such will not be recognized as a revenue until then. The HRSDs deferred inflows of resources consist of pension and OPEB activities.

Deferred outflows of resources and deferred inflows of resources related to pension and OPEB activity will be recognized in pension and OPEB expenses in future reporting periods.

Revenue Recognition

Generally, wastewater treatment charges are computed based on a user's water consumption. These charges are recognized as revenue when billed. Revenues earned but unbilled through June 30 of each fiscal year are accrued at year-end. Wastewater facility charges are computed based on a new connection's water meter size and potential for high strength pollutant discharges, and are recognized as revenue prior to the issuance of a building or operating permit.

Operating and Non-operating Revenues and Expenses Recognition

HRSD distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with HRSD's principal service of providing wastewater treatment. The majority of operating revenues are from wastewater treatment, but other associated miscellaneous income from other related services and charges are also included. Revenues and expenses not meeting the operating definition are reported as non-operating. These consist mainly of wastewater facility charges, investment income, capital contributions and interest expense.

Compensated Absences

All permanent employees earn leave upon starting a full-time position. The amount and type of leave earned is based upon the employee's date of hire and years of service and is recorded as an expense as employees earn the right to these benefits.

Permanent employees hired prior to January 1, 2014 earn from 15 to 27 days of annual leave per year. The maximum annual leave an employee may accumulate at year-end varies by the years of service, with the maximum being 54 days. An employee has a vested right to their annual leave when earned. These employees also earn eight hours per

month of sick leave regardless of the number of years of service. The amount of sick leave that may be accumulated is unlimited. After five years of service with HRSD, an employee has vested rights to 35 percent of accumulated sick leave to a maximum of \$10,000.

Permanent employees hired after January 1, 2014 earn 8 hours of paid time off for each two-week pay period. Employees may use accumulated paid time off for any type of absence from work, subject to supervisor approval. The maximum paid time off an employee may accumulate at year-end is 480 hours. After five years of service with HRSD, an employee has vested rights to 50 percent of their accumulated paid time off at separation. For these employees, as required by state law, HRSD also provides a long-term disability (LTD) benefit since these employees are not eligible for disability retirement benefits through the Virginia Retirement System (VRS). The long-term disability benefit provides income replacement for employees who become disabled and unable to work for an extended period of time due to a non-work-related or work-related condition (as determined under the Virginia Workers' Compensation Act). Long-term disability benefits begin at the expiration of an additional state mandated employer paid short-term disability (STD) benefit period of 125 days.

Postemployment Benefits Other Than Pensions (OPEB)

HRSD employees participate in three postemployment benefits other than pensions (other postemployment benefits or OPEB) plans:

The HRSD RHP is a single employer, defined benefit plan that provides health benefits for eligible members. HRSD administers the RHP through the Hampton Roads Sanitation District Retiree Health Trust. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the RHP and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the RHP. For this purpose, the RHP recognizes benefit payments when due and payable in accordance with the benefit terms.

The VRS Political Subdivision Health Insurance Credit Program (HIC) is a multiple-employer, agent-defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. The Political Subdivision HIC Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and provides the authority under which benefit terms are established or may be amended. For purposes of measuring the net HIC OPEB liability, deferred outflows of resources and deferred inflows of resources related to the HIC OPEB, and the HIC OPEB expense, information about the fiduciary net position of the VRS HIC, and the additions to/deductions from the VRS HIC's fiduciary net position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The VRS Group Life Insurance (GLI) Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to § 51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB Liability, deferred outflows of resources and deferred inflows of resources related to the GLI Program OPEB, and GLI Program OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI Program OPEB's fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pensions

HRSD employees participate in an agent multiple-employer defined benefit pension plan administered by VRS, which acts as a common investment and administrative agent for political subdivisions in the Commonwealth. 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 HRSD's Retirement Plan and the additions to or deductions from HRSD's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported to HRSD by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Use of Estimates

The preparation of these financial statements requires management to make estimates and assumptions. These estimates affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at

NOTES TO THE FINANCIAL STATEMENTS

the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from management's estimates.

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits and investments

Custodial Credit Risk. This risk is associated with the inability of a governmental entity to recover deposits from a financial institution in the event of a failure. At June 30, 2024 and 2023, the carrying values of HRSD's deposits were \$60,129,000 and \$52,614,000. All of the bank balances at June 30, 2024 and 2023 were covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (the Act). In accordance with the Act, the depository institution pledged collateral in the form of federal obligations with a fair value equal to 110 percent of HRSD's deposits with a third party trustee in the name of the Treasurer of the Commonwealth. In the event that the banking institution fails, the Treasurer will take possession of the collateral, liquidate it and reimburse HRSD up to the value of its deposits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks.

Credit Risk. HRSD invests in VACo/VML Virginia Investment Pool's (VIP) 1-3 Year High Quality Bond Fund and Stable NAV Liquidity Pool. Oversight is provided by the VACo/VML Board of Trustees. HRSD's investments in the VIP 1-3 Year High Quality Bond Fund and the VIP Stable NAV Liquidity Pool were rated AA+f/S1 and AAAM, respectively, by Standard & Poor's.

The components of cash and cash equivalents at June 30 are as follows:

(in thousands)	2024	2023
Cash and cash equivalents - unrestricted:		
Cash deposits - unrestricted	\$ 60,129	\$ 52,614
VIP Stable NAV Liquidity - unrestricted	156,482	95,681
Total cash and cash equivalents - unrestricted	216,611	148,295
Cash and cash equivalents - restricted:		
VIP Stable NAV Liquidity - restricted	22,307	33,830
Total cash and cash equivalents - unrestricted and restricted	\$ 238,918	\$ 182,125

The components of investments at June 30 are as follows:

VIP 1-3 Year High Quality Bond Fund	\$ 65,916	\$ 63,074
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HRSD OPEB Trust Investments

The HRSD OPEB Trust has investments in mutual funds, cash, and cash equivalents on deposit with its trustee, US Bank. Investments are reported at fair value. HRSD's OPEB investment practices are governed by its Financial Policy.

The plan had the following investments and maturities at June 30:

(in thousands)	2024	2023
Domestic equity	\$ 31,220	\$ 26,791
International equity	15,465	13,616
Fixed income	25,608	24,016
Other income	2,646	2,805
Money market	818	195
Total investments, cash and cash equivalents	\$ 75,757	\$ 67,423

Fixed income investments had an average maturity of 8.0 years and 8.2 years as of June 30, 2024 and 2023, respectively. The average credit quality was AA as of June 30, 2024 and 2023. Other investments do not have a stated maturity or credit rating.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, HRSD will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. HRSD's policy is to utilize its Trustee, U.S. Bank Trust Department, for its OPEB investments as recipient of all investment transactions on a delivery versus pay basis. The Trustees may not be a counterparty to the investment transaction.

NOTE 4 - ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

An analysis of the allowance for uncollectible accounts for the years ended June 30:

(in thousands)	2024	2023
Balance, beginning of year	\$ 2,282	\$ 2,407
Add: Current provision for uncollectible accounts	5,325	2,987
Less: Charge-off of uncollectible accounts	(4,697)	(3,112)
Balance, end of year	\$ 2,910	\$ 2,282

HRSD's collection ratios for the years ended June 30, 2024 and 2023 and were 98.9% and 99.2%, respectively.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

Analysis of property, plant and equipment activity for years ended June 30:

(in thousands)	Balance 2022	Additions	Transfers/ Retirements	Balance 2023	Additions	Transfers/ Retirements	Balance 2024
Non-Depreciable Capital Assets:							
Land	\$ 56,170	\$ 8,028	\$ -	\$ 64,198	\$ -	\$ -	\$ 64,198
Construction in progress	355,586	335,317	(50,655)	640,248	562,250	(96,651)	1,105,847
Depreciable Capital Assets:							
Treatment plants	1,464,740	9,901	-	1,474,641	16,349	-	1,490,990
Interceptor systems	754,692	39,171	-	793,863	52,189	-	846,052
Buildings	67,266	2,493	-	69,759	76	-	69,835
Small community facilities	25,936	158	-	26,094	-	-	26,094
Office equipment	45,353	-	-	45,353	528	-	45,881
Automotive	18,801	2,893	-	21,694	3,902	(941)	24,655
Other equipment	75,004	4,325	-	79,329	17,515	-	96,844
Software and intangible assets	40,074	81	-	40,155	177	-	40,332
Total	\$ 2,903,622	\$ 402,367	\$ (50,655)	\$ 3,255,334	\$ 652,986	\$ (97,592)	\$ 3,810,728
Less Accumulated Depreciation and Amortization:							
Treatment plants	\$ (798,525)	\$ (31,902)	\$ -	\$ (830,427)	\$ (32,607)	\$ -	\$ (863,034)
Interceptor systems	(217,261)	(14,686)	-	(231,947)	(15,405)	-	(247,352)
Buildings	(23,713)	(2,024)	-	(25,737)	(2,022)	-	(27,759)
Small community facilities	(10,054)	(566)	-	(10,620)	(546)	-	(11,166)
Office equipment	(44,566)	(218)	-	(44,784)	(167)	-	(44,951)
Automotive	(17,433)	(780)	-	(18,213)	(1,493)	941	(18,765)
Other equipment	(36,888)	(4,283)	-	(41,171)	(4,779)	-	(45,950)
Software and intangible assets	-	-	-	-	-	-	-
-amortization	(40,074)	(10)	-	(40,084)	(34)	-	(40,118)
Total	(1,188,514)	(54,469)	-	(1,242,983)	(57,053)	941	(1,299,095)
Net Property, Plant and Equipment	\$ 1,715,108	\$ 347,898	\$ (50,655)	\$ 2,012,351	\$ 595,933	\$ (96,651)	\$ 2,511,633

NOTE 6 - COMPENSATED ABSENCES

Analysis of liability for vested annual, sick, paid time off and compensatory leave for years ended June 30:

(in thousands)	Balance 2022	Earned	Taken	Balance 2023	Earned	Taken	Balance 2024
Annual leave	\$ 5,297	\$ 3,348	\$ (3,005)	\$ 5,640	\$ 3,729	\$ (3,525)	\$ 5,844
Sick leave	2,469	2,240	(1,665)	3,044	1,425	(1,604)	2,865
Paid time off	452	3,299	(2,340)	1,411	3,327	(2,953)	1,785
Total	\$ 8,218	\$ 8,887	\$ (7,010)	\$ 10,095	\$ 8,481	\$ (8,082)	\$ 10,494
Current liability	\$ 6,495			\$ 8,611			\$ 8,402
Long-term liability	\$ 1,723			\$ 1,484			\$ 2,092

NOTE 7 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

As discussed in Note 2, HRSD provides OPEB for its employees through three plans: the Hampton Roads Sanitation District RHP, a single employer defined benefit plan, and two plans administered by VRS, the GLI, a multiple employer cost-sharing plan, and the HIC, a multiple-employer, agent defined benefit plan.

RHP

The RHP was established and may be amended by the Commission. HRSD administers the RHP through the Hampton Roads Sanitation District Retiree Health Trust (the Trust), an irrevocable trust to be used solely for providing benefits to eligible retired employees and their beneficiaries (members) in the RHP. HRSD's contributions to the Trust are dedicated irrevocably to providing post-retirement health benefits, the RHP assets are exclusively dedicated to providing benefits to members, and the RHP assets of the Trust are not subject to the claims of HRSD creditors or the Plan administrator. Employer contributions are recorded in the year they are made. Investments are reported at fair value based on published prices and quotations. The RHP does not issue stand-alone financial statements.

Eligible Employees

HRSD employees are eligible for benefits upon retirement provided the employee has 15 years of service with HRSD or 10 years of service with HRSD plus 10 years of service with another employer participating in the VRS with a retiree health plan; are qualified for unreduced retirement benefits from VRS; and are enrolled in the HRSD Health Insurance Plan prior to retirement. Participating beneficiaries may continue coverage under the plan after the death of the retiree. Medicare eligible participants are required to enroll in both Medicare Part A and Part B, and may participate in a Medicare supplement plan. Members not eligible for Medicare may participate in a high deductible health plan.

Benefits provided

The RHP health plan provides medical and prescription services using both in network and out of network providers through a self-funded plan administered by a third-party vendor. Members may elect to purchase dental and vision benefit plans at their own expense.

GLI

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS GLI Program upon employment. This plan is administered by the VRS, along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for GLI Program OPEB, including eligibility, coverage and benefits follows:

Eligible Employees

The GLI Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program. Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The benefits payable under the GLI Program have several components.

- Natural Death Benefit – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- Accidental Death Benefit – The accidental death benefit is double the natural death benefit.
- Other Benefit Provisions – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
 - Accidental dismemberment benefit
 - Seatbelt benefit
 - Repatriation benefit
 - Felonious assault benefit
 - Accelerated death benefit option

Reduction in Benefit Amounts

The benefit amounts provided to members covered under the GLI Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of retirement. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of service credit, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually

NOTES TO THE FINANCIAL STATEMENTS

based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$9,254 as of June 30, 2024.

HIC

All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision HIC Program upon employment. This plan is administered by the VRS, along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information about the Political Subdivision HIC Program OPEB, including eligibility, coverage and benefits follows:

Eligible Employees

The Political Subdivision Retiree HIC Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit. Eligible employees of participating political subdivisions are enrolled automatically upon employment. They include full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.

Benefit Amounts

The political subdivision's Retiree HIC Program provides the following benefits for eligible employees:

- At Retirement – For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month.
- Disability Retirement – For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.

HIC Program Notes:

- The monthly HIC benefit cannot exceed the individual premium amount.
- No HIC for premiums paid and qualified under the VRS Line of Duty Act Program (LODA), however, the employee may receive the credit for premiums paid for other qualified health plans.
- Employees who retire after being on long-term disability under VLDP must have at least 15 year of service credit to qualify for the HIC as a retiree.

Employees Covered by Benefit Terms

RHP

As of the June 30, 2023 and 2022 actuarial valuation dates the following employees were covered by the benefit terms of the RHP:

	2023	2022
Beneficiaries currently receiving benefit payments	248	240
Active employees	734	702
Total	982	942

There are no inactive employees entitled to but not yet receiving plan benefits.

HIC

As of the June 30, 2022 and 2021 actuarial valuation dates the following employees were covered by the benefit terms of the HIC:

	2022	2021
Inactive members or their beneficiaries currently receiving benefit payments	420	267
Active employees	774	816
Total	1,194	1,083

ContributionsRHP

RHP contribution requirements are actuarially determined. Funding is subject to approval by the Commission. Medicare-eligible members contribute \$45 per month for retiree-only coverage and from \$442 to \$460 per month for retiree and dependent coverage. Members not eligible for Medicare contribute \$120 per month for retiree-only coverage and from \$517 to \$535 per month for retiree and dependent coverage. HRSD funds the cost of coverage under the RHP by paying the difference between the contributions it requires retirees to make and the actuarially determined contribution (ADC). The current employer contribution rate is approximately 5 percent of annual covered payroll. HRSD contributed \$1,914,000 and \$2,467,000 to the RHP for the years ended June 30, 2024 and 2023, respectively.

GLI

The contribution requirements for the GLI Program are governed by § 51.1-506 and § 51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2024, was 0.54% of covered employee compensation. This rate was the final approved General Assembly rate which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI from HRSD were \$357,000 and \$318,000 for the years ended June 30, 2024 and June 30, 2023, respectively.

In June 2023, the Commonwealth made a special contribution of approximately \$10.1 million to the GLI plan. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session, and is classified as a special employer contribution. HRSD's proportionate share is reflected in the Deferred Outflow of Resources section of the financial statements.

HIC

The HIC contribution requirement for active employees is governed by §51.1-1402(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. HRSD's contractually required employer contribution rate for the years ended June 30, 2024 and June 30, 2023, was 0.21% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from HRSD to the Political Subdivision HIC Program were \$139,000 and \$124,000 for the years ended June 30, 2024, and June 30, 2023, respectively.

NOTES TO THE FINANCIAL STATEMENTS

OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources

RHP

HRSD recognized RHP OPEB expense of \$921,000 and \$2,274,000 for the years ended June 30, 2024 and 2023, respectively. HRSD reported deferred outflows of resources and deferred inflows of resources related to RHP OPEB from the following sources:

(in thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources
Year ended June 30, 2024:		
Differences between expected and actual experience	\$ 6,880	\$ 6,182
Changes in assumptions	2,274	4,730
Net diff between projected and actual earnings on plan investments	-	705
Total	<u>\$ 9,154</u>	<u>\$ 11,617</u>
Year ended June 30, 2023:		
Differences between expected and actual experience	\$ 8,313	\$ 3,930
Changes in assumptions	-	5,627
Net diff between projected and actual earnings on plan investments	3,037	-
Total	<u>\$ 11,350</u>	<u>\$ 9,557</u>

HRSD's measurement date is its fiscal year end so there are no deferred outflows of resources resulting from contributions subsequent to the measurement date. Other amounts reported as deferred outflows and inflows of resources related to RHP OPEB will be recognized in OPEB expense in future reporting periods as follows:

(in thousands)		
Years Ended June 30	2024	2023
2024	\$ -	\$ 114
2025	(805)	149
2026	1,352	2,306
2027	(1,487)	(533)
2028	(1,392)	(439)
2029	296	-
Thereafter	(427)	196
	<u>\$ (2,463)</u>	<u>\$ 1,793</u>

GLI

At June 30, 2024, HRSD reported a liability of \$3,002,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2023 and the total GLI OPEB Liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. HRSD's proportion of the Net GLI OPEB Liability was based on the HRSD's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2023, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, HRSD's proportion was 0.2503%.

At June 30, 2023, HRSD reported a liability of \$3,035,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 and the total GLI OPEB Liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the participating employer's proportion was 0.2521%.

For the years ended June 30, 2024 and 2023, HRSD recognized GLI OPEB expenses of \$116,000 and \$86,000, respectively. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2024 and 2023, HRSD reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

(in thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources
Year ended June 30, 2024:		
Differences between expected and actual experience	\$ 300	\$ 91
Net diff bet projected and actual earnings on program investments	-	121
Change in assumptions	64	208
Changes in proportion	35	140
Employer contributions subsequent to the measurement date	357	-
Total	<u>\$ 756</u>	<u>\$ 560</u>
Year ended June 30, 2023:		
Differences between expected and actual experience	\$ 240	\$ 122
Net diff bet projected and actual earnings on program investments	-	190
Change in assumptions	113	296
Changes in proportion	54	156
Employer contributions subsequent to the measurement date	318	-
Total	<u>\$ 725</u>	<u>\$ 764</u>

HRSD reported \$357,000 and \$318,000 as of June 30, 2024 and 2023, respectively, as deferred outflows of resources related to the GLI OPEB resulting from the HRSD's contributions subsequent to the measurement date which will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Years ending June 30, 2025 and 2024, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

(in thousands)	2024	2023
<u>Years ended June 30</u>		
2024	\$ -	(67)
2025	(46)	(71)
2026	(150)	(177)
2027	31	5
2028	(22)	(47)
2029	26	-
	<u>\$ (161)</u>	<u>(357)</u>

HIC

HRSD recognized HIC Program OPEB expense of \$130,000 and \$96,000 for the years ended June 30, 2024 and 2023, respectively. HRSD reported deferred outflows of resources and deferred inflows of resources related to the Political Subdivision HIC Program from the following sources:

HIC (in thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources
Year ended June 30, 2024:		
Differences between expected and actual experience	\$ 102	\$ 38
Net diff bet projected and actual earnings on program investments	-	11
Change in assumptions	76	-
Employer contributions subsequent to the measurement date	139	-
Total	<u>\$ 317</u>	<u>\$ 49</u>

NOTES TO THE FINANCIAL STATEMENTS

HIC (in thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources
Year ended June 30, 2023:		
Differences between expected and actual experience	\$ 29	\$ 49
Net diff bet projected and actual earnings on program investments	-	29
Change in assumptions	102	2
Employer contributions subsequent to the measurement date	124	-
Total	<u>\$ 255</u>	<u>\$ 80</u>

HRSD reported \$139,000 for FY 2024 and \$124,000 for FY 2023 as deferred outflows of resources related to the HIC OPEB resulting from HRSD's contributions subsequent to the measurement date which will be recognized as a reduction of the Net HIC OPEB Liability in the Fiscal Year ending June 30, 2025 and 2024, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

(in thousands)	2024	2023
<u>Years ended June 30</u>		
2024	\$ -	13
2025	37	13
2026	21	(2)
2027	47	24
2028	24	3
	<u>\$ 129</u>	<u>\$ 51</u>

Combined OPEB RHP, GLI and HIC

For the years ended June 30, 2024 and 2023, HRSD reported deferred outflows of resources and deferred inflows of resources related to the RHP, GLI and HIC OPEB plans from the following sources:

(in thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources
Year ended June 30, 2024:		
Differences between expected and actual experience	\$ 7,282	\$ 6,311
Net diff bet projected and actual earnings on program investments	-	837
Changes in proportion	35	140
Change in assumptions	2,414	4,938
Employer contributions subsequent to the measurement date	496	-
Total	<u>\$ 10,227</u>	<u>\$ 12,226</u>
Year ended June 30, 2023:		
Differences between expected and actual experience	\$ 8,582	\$ 4,101
Net diff bet projected and actual earnings on program investments	3,037	219
Change in assumptions	54	156
Changes in proportion	215	5,925
Employer contributions subsequent to the measurement date	442	-
Total	<u>\$ 12,330</u>	<u>\$ 10,401</u>

HRSD reported \$496,000 for FY 2024 and \$442,000 for FY 2023 as deferred outflows of resources related to the OPEB plans resulting from HRSD's contributions subsequent to the measurement date which will be recognized as a reduction of the net OPEB Liability in the Fiscal Year ending June 30, 2025 and 2024, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plans will be recognized in HRSD's OPEB expense in future reporting periods as follows:

(in thousands)		
Years ended June 30	2024	2023
2024	\$ -	\$ 60
2025	(814)	91
2026	1,223	2,127
2027	(1,409)	(504)
2028	(1,390)	(483)
2029	322	-
Thereafter	(427)	196
	<u>\$ (2,495)</u>	<u>\$ 1,487</u>

HRSD reported \$1,167,000 for FY 2024 and \$2,456,000 for FY 2023 as combined OPEB expenses related to the RHP, GLI and HIC OPEB plans as follows:

(in thousands)		
Years ended June 30	2024	2023
RHP	921	2,274
GLI	116	86
HIC	130	96
Total OPEB	<u>\$ 1,167</u>	<u>\$ 2,456</u>

Actuarial Methods and Assumptions

RHP

The total RHP OPEB liabilities were based on actuarial valuations as of June 30, 2023 and 2022, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement dates of June 30, 2024 and 2023.

Year Ended June 30, 2024:

Inflation	2.5 percent
Salary increases, including inflation	2.5 percent
Investment rate of return	6.0 percent, net of investment expenses, including inflation

Mortality rates for the RHP are as follows:

Healthy Retirees	SOA Pub-2010 General Retirees Headcount-Weighted Mortality Table projected on a fully generational basis with mortality improvement scale MP-2021
Disabled Retirees	SOA Pub-2010 General Disabled Retirees Headcount-Weighted Mortality Table projected on a fully generational basis with mortality improvement scale MP-2021
Active Retirees	SOA Pub-2010 General Employees Headcount-Weighted Mortality Table projected on a fully generational basis with mortality improvement scale MP-2021

Year Ended June 30, 2023:

Inflation	2.5 percent
Salary increases, including inflation	2.5 percent
Investment rate of return	6.0 percent, net of investment expenses, including inflation

Mortality rates for the RHP are as follows:

Healthy Retirees	Pub-2010 General Retirees Headcount-weighted Mortality Projected with Fully Generational MP2021 Mortality Improvement Scale.
Disabled Retirees	Pub-2010 General Disabled Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2021 Mortality Improvement Scale.
Active Retirees	Pub-2010 General Employees Headcount-Weighted Mortality Projected with Fully Generational MP2021 Mortality Improvement Scale.

NOTES TO THE FINANCIAL STATEMENTS

The total GLI OPEB Liability was based on an actuarial valuation as of June 30, 2022, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

Year Ended June 30, 2023:

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent - 5.35 percent
Investment rate of return	6.75 percent, net of investment expenses, including inflation

Mortality tables and assumptions for GLI are as follows:

Pre-Retirement:	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males set forward 2 years; 105% of rates for females set forward 3 years.
Post-Retirement:	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.
Post-Disablement:	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years.
Beneficiaries and Survivors	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.
Mortality Improvement Scale	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

Year Ended June 30, 2022:

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent - 5.35 percent
Investment rate of return	6.75 percent, net of investment expenses, including inflation

Mortality tables and assumptions for GLI are as follows:

Pre-Retirement:	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.
Post-Retirement:	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.
Post-Disablement:	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.
Beneficiaries and Survivors	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.
Mortality Improvement Scale	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action for Years ended June 30, 2023 and June 30, 2022 are as follows:

Mortality rates	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Pre-retirement, post-retirement healthy, and disabled	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Retirement Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Withdrawal Rates	No change
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

HIC

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2022, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

Year Ending June 30, 2023:

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent - 5.35 percent
Investment rate of return	6.75 percent, net of investment expenses, including inflation
Mortality tables and assumptions for HIC are as follows:	

Pre-Retirement:	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.
Post-Retirement:	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.
Post-Disablement:	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.
Beneficiaries and Survivors	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.
Mortality Improvement Scale	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

Note: Assumptions for measurement date June 30, 2022 were the same as June 30, 2023.

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality rates	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Pre-retirement, post-retirement healthy, and disabled	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Retirement Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Withdrawal Rates	No change
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Note: Assumptions for measurement date June 30, 2022 were the same as June 30, 2023.

NOTES TO THE FINANCIAL STATEMENTS

Long-Term Expected Rate of Return

RHP

The long-term expected rate of return on RHP investments was determined using an economic building block approach that projects economic and corporate profit growth and takes into consideration the fundamental factors driving long-term real economic growth, our expectation for inflation, productivity, and labor force growth. The returns presented here are geometric return projections based on long-term capital market assumptions. The asset target allocations are governed by its Financial Policy. The best estimate of arithmetic real rates of return for each major asset class are summarized in the following tables:

Year Ended June 30, 2024

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Domestic Equity	39.00%	5.96%	2.32%
International Developed Equity	19.00%	8.08%	1.54%
International Emerging Markets Equity	2.00%	8.27%	0.17%
Core Fixed	32.00%	2.69%	0.86%
Short-Term Fixed	2.00%	1.41%	0.03%
High Yield	2.00%	4.33%	0.09%
Core Real Estate	4.00%	5.52%	0.22%
Total	100.00%		5.23%
		Inflation	2.50%
		* Expected arithmetic nominal return	7.73%

* The above allocation provides a one-year return of 7.73%. However, one-year returns do not take into account the volatility present in each of the asset classes so a rate of 6.0% is used.

Year Ended June 30, 2023

Asset Class (Strategy)	Target Allocation	Geometric Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Domestic Equity	39.00%	7.67%	2.99%
International Developed Equity	15.00%	7.52%	1.13%
International Emerging Markets Equity	6.00%	7.51%	0.45%
Core Fixed	20.00%	3.99%	0.80%
Investment Grade Corporate Debt	10.00%	5.03%	0.50%
Emerging Markets Debt	5.00%	5.24%	0.26%
High Yield	5.00%	5.66%	0.28%
Total	100.00%		6.41%
		Inflation	2.50%
		* Expected arithmetic nominal return	8.91%

* The above allocation provides a one-year return of 8.91%. However, one-year returns do not take into account the volatility present in each of the asset classes so a rate of 6.0% is used.

GLI and HIC

The long-term expected rate of return on the GLI and HIC investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of GLI and HIC's 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following tables:

Year Ended June 30, 2024

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return *</u>
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP-Private Investment Partnership	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
Total	100.00%		5.75%
		Inflation	2.50%
	* Expected arithmetic nominal return		8.25%

* The above allocation provides a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Year Ended June 30, 2023

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return *</u>
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP-Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
	** Expected arithmetic nominal return		7.83%

*The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

** On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.5%.

NOTES TO THE FINANCIAL STATEMENTS

Discount Rates

RHP

The discount rate used to measure the total OPEB liability for the RHP, as of June 30, 2024 and 2023, was 6.0%. The projection of cash flows used to determine the discount rate assumes that HRSD contributions will be made in accordance with the funding plan established by an independent actuarial review.

GLI and HIC

The discount rate used to measure the total GLI and HIC OPEB liability was 6.75% as of June 30, 2023 and 2022. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal years ending June 30, 2023 and 2022, the rate contributed by the entity for the GLI and HIC OPEB will be subject to the portion of the VRS Board certified rates that are funded by the Virginia General Assembly which was 113% and 100% for June 30, 2023 and June 30, 2022 respectively, of the actuarially determined contribution rate. From July 1, 2022 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI and HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI and HIC OPEB liability.

Change in Net OPEB Liability

RHP

HRSD's net RHP OPEB liability was measured as of June 30, 2024 and 2023, using a June 30, 2023 and 2022 valuation, which has been rolled forward to the June 30, 2024 and 2023 measurement date.

(in thousands)	Total RHP OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net RHP OPEB Liability (a) - (b)
RHP OPEB Liability Balances at June 30, 2022	\$ 74,541	\$ 62,137	\$ 12,404
Changes for the year - Increase (Decrease):			
Service cost	1,534	-	1,534
Interest	4,398	-	4,398
Changes of assumptions	(5,285)	-	(5,285)
Difference between expected and actual experience	3,617	-	3,617
Contributions - employer	-	2,467	(2,467)
Net investment income	-	5,148	(5,148)
Benefit payments, including refunds of employee contributions	(2,329)	(2,329)	-
Net changes	1,935	5,286	(3,351)
RHP OPEB Liability Balances at June 30, 2023	\$ 76,476	\$ 67,423	\$ 9,053
Changes for the year - Increase (Decrease):			
Service cost	1,274	-	1,274
Interest	4,533	-	4,533
Changes of assumptions	2,599	-	2,599
Difference between expected and actual experience	(3,472)	-	(3,472)
Contributions - employer	-	1,914	(1,914)
Net investment income	-	8,270	(8,270)
Benefit payments, including refunds of employee contributions	(1,850)	(1,850)	-
Net changes	3,084	8,334	(5,250)
RHP OPEB Liability Balances at June 30, 2024	\$ 79,560	\$ 75,757	\$ 3,803

RHP fiduciary net position as a percentage of the total RHP OPEB liability was 95.22% and 88.16% as of June 30, 2024 and 2023, respectively.

GLI

HRSD's net GLI OPEB liability represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of the measurement dates of June 30, 2023 and 2022, net OPEB liability amounts for the GLI Program are as follows:

(in thousands)	2023	2022
Total GLI OPEB Liability	\$ 3,907,052	\$ 3,672,085
Plan Fiduciary Net Position	2,707,739	2,467,989
Net GLI OPEB Liability	<u>\$ 1,199,313</u>	<u>\$ 1,204,096</u>

Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability:	69.30%	67.21%
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The total GLI OPEB Liability is calculated by the VRS's actuary, and each plan's fiduciary net position is reported in VRS's financial statements. The net GLI OPEB Liability is disclosed in accordance with the requirements of GASB Statement No. 74 in VRS's notes to the financial statements and required supplementary information.

HIC

HRSD's net HIC OPEB liability was measured as of June 30, 2023 and 2022. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2022 and 2021, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023 and 2022.

(in thousands)	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (a) - (b)
HIC OPEB Liability Balances at June 30, 2021	\$ 2,196	\$ 1,135	\$ 1,061
Changes for the year - Increase (Decrease):			
Service cost	22	-	22
Interest	145	-	145
Changes of assumptions	88	-	88
Difference between expected and actual experience	(59)	-	(59)
Contributions - employer	-	115	(115)
Net investment income	-	2	(2)
Benefit payments, including refunds of employee contributions	(151)	(151)	-
Administrative expense	-	(2)	2
Other changes	-	9	(9)
Net changes	45	(27)	72
HIC OPEB Liability Balances at June 30, 2022	\$ 2,241	\$ 1,108	\$ 1,133
Changes for the year - Increase (Decrease):			
Service cost	18	-	18
Interest	147	-	147
Difference between expected and actual experience	106	-	106
Contributions - employer	-	124	(124)
Net investment income	-	65	(65)
Benefit payments, including refunds of employee contributions	(161)	(161)	-
Administrative expense	-	(1)	1
Net changes	110	27	83
HIC OPEB Liability Balances at June 30, 2023	\$ 2,351	\$ 1,135	\$ 1,216

NOTES TO THE FINANCIAL STATEMENTS
Sensitivity of the Net OPEB Liabilities (Assets) to Changes in the Discount Rate and Healthcare Cost Trend Rate
RHP

The following table presents the net RHP OPEB liability (asset) using the discount rate of 6.0%, as well as what the liability (asset) would be if it is calculated using a discount rate that is one percentage point lower (at 5.00%) or one percentage point higher (at 7.00%) than the current discount rate:

<u>RHP Discount Rate</u>	RHP Discount Rate		
	1% Decrease 5.00%	Current Rate 6.00%	1% Increase 7.00%
Net RHP OPEB Liability/(Asset) (in thousands)			
Year ended June 30, 2024	\$ 16,411	\$ 3,803	\$ (6,350)
Year ended June 30, 2023	20,800	9,053	(435)

The following table presents the net RHP OPEB liability (asset) using the Trend rate of 3.94%, as well as what the liability (asset) would be if it is calculated using a healthcare cost trend rate that is one percentage point lower (at 2.94%) or one percentage point higher (at 4.94%) than the current healthcare cost trend rate:

<u>RHP Ultimate Trend</u>	RHP - Healthcare Cost Trend Rate		
	1% Decrease 2.94%	Current Rate 3.94%	1% Increase 4.94%
Net RHP OPEB Liability/(Asset) (in thousands)			
Year ended June 30, 2024	\$ (7,724)	\$ 3,803	\$ 18,423
Year ended June 30, 2023	(1,772)	9,053	22,739

GLI

The following presents the net GLI OPEB liability using the discount rate of 6.75%, as well as what the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (at 5.75%) or one percentage point higher (at 7.75%) than the current rate:

<u>GLI Discount Rate</u>	GLI Discount Rate		
	1% Decrease 5.75%	Current Rate 6.75%	1% Increase 7.75%
GLI Net OPEB Liability (in thousands)			
Year ended June 30, 2024	\$ 4,450	\$ 3,002	\$ 1,832
Year ended June 30, 2023	4,417	3,035	1,919

HIC

The following presents the net HIC OPEB liability using the discount rate of 6.75%, as well as what the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (at 5.75%) or one percentage point higher (at 7.75%) than the current rate:

<u>HIC Discount Rate</u>	HIC Discount Rate		
	1% Decrease 5.75%	Current Rate 6.75%	1% Increase 7.75%
HIC Net OPEB Liability (in thousands)			
Year ended June 30, 2024	\$ 1,461	\$ 1,216	\$ 1,008
Year ended June 30, 2023	1,373	1,133	929

GLI Fiduciary Net Position and HIC Plan Data

Information about the VRS Political Subdivision HIC Program and GLI Program Fiduciary Net Position are available in the separately issued VRS 2023 *Annual Comprehensive Financial Report*. A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <https://employers.varetire.org/media/shared/pdf/publications/2023-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 8 – DEFINED BENEFIT PENSION PLAN

Pensions

VRS HRSD Retirement Plan is a multi-employer, agent plan. 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 HRSD Retirement Plan and the additions to/deductions from the HRSD Retirement Plan's fiduciary net position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

All full-time, salaried permanent employees of HRSD are automatically covered by a VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

- Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010 and they were vested as of January 1, 2013. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or at age 55 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, and they were not vested as of January 1, 2013. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- The Hybrid Retirement Plan (HRP) combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window from January 1 through April 30, 2014. The employee's retirement benefit is funded through mandatory and voluntary contributions made by the employee and HRSD to both the defined benefit and the defined contribution components of the plan. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

Members in Plan 1 and Plan 2 contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. HRSD makes a separate actuarially determined contribution to VRS for all covered employees. The retirement benefit for members in the HRP is funded through mandatory and voluntary contributions made by the member and HRSD to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the

NOTES TO THE FINANCIAL STATEMENTS

defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Members in Plan 1 and Plan 2 earn creditable service for each month they are employed in a covered position, and vest when they have at least five years (60 months) of creditable service. Members in the HRP earn one month of service credit for each month they are employed in a covered position for the defined benefit component, and service credits are used to determine vesting for the employer contribution portion of the plan. HRP members are always 100% vested in the defined contributions they make, and upon retirement or leaving covered employment are eligible to withdraw employer contributions of 50%, 75%, or 100% after two, three, or four years of service, respectively.

The VRS Basic Benefit for Plan 1 and Plan 2 members, and the defined benefit component for HRP members, is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2 and the HRP, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members in Plan 1 is 1.7%; in Plan 2 the multiplier is 1.7% for service earned, purchased or granted prior to January 1, 2013 and 1.65% after that date. The multiplier is 1% for members in the HRP. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5%; under Plan 2 and for the HRP defined benefit component, the COLA cannot exceed 3%. During years of no inflation or deflation there is no COLA adjustment. The VRS also provides death and disability benefits.

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2023 Annual Report. A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <https://employers.varetire.org/media/shared/pdf/publications/2023-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2022 and 2021 actuarial valuation dates, the following employees were covered by the benefit terms of the pension plan:

	2022	2021
Number of:		
Retirees and Beneficiaries	491	434
Inactive Members Vested	120	112
Inactive Members Nonvested	177	161
Active Elsewhere in VRS	81	78
Active Employees	774	816
Total	1,643	1,601

Contributions

The contribution requirement for active employees is governed by § 51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. HRSD's contractually required employer contribution rate for the year ended June 30, 2024 was 7.01% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

These rates, when combined with employee contributions, are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from HRSD were \$3,928,000 and \$3,592,000 for the years ended June 30, 2024 and 2023, respectively.

Net Pension Liability

LiabilityThe net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For HRSD, the net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2022, rolled forward to the measurement date of June 30, 2023.

Actuarial Methods and Assumptions

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2022, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

Year Ended June 30, 2023

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent to 5.35 percent
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation
Mortality:	

Mortality rates:

Pre-Retirement	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years
Post-Retirement	Pub-2010 Amount Weighted Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set back 3 years.
Post-Disablement	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years
Beneficiaries and Survivors	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years
Mortality Improvement	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

Note: Assumptions for measurement date June 30, 2022 were the same as June 30, 2023.

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Year Ended June 30, 2023

Mortality Rates- Pre-retirement, post-retirement healthy, and disabled	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Note: Assumptions for measurement date June 30, 2022 were the same as June 30, 2023.

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Long-Term Expected Rate of Return

The long-term expected rate of return on pension system investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected real rates of return (expected returns, net of pension system 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Year Ended June 30, 2023			
Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return *
Public equity	34.00%	6.14%	2.09%
Fixed income	15.00%	2.56%	0.38%
Credit strategies	14.00%	5.60%	0.78%
Real assets	14.00%	5.02%	0.70%
Private equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
Total	100.00%		5.75%
		Inflation	2.50%
		** Expected arithmetic nominal return	8.25%

*The above allocation provides a one-year expected return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

** On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Year Ended June 30, 2022			
Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return *
Public equity	34.00%	5.71%	1.94%
Fixed income	15.00%	2.04%	0.31%
Credit strategies	14.00%	4.78%	0.67%
Real assets	14.00%	4.47%	0.63%
Private equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		** Expected arithmetic nominal return	7.83%

* The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

** On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2022, actuarial valuations, whichever was greater. From July 1, 2023, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

(in thousands)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Pension Liability Balances at June 30, 2021	\$ 270,323	\$ 268,160	\$ 2,163
Changes for the year - Increase (Decrease):			
Service cost	3,833	-	3,833
Interest	18,012	-	18,012
Difference between expected and actual experience	44	-	44
Contributions - employer	-	3,440	(3,440)
Contributions - employee	-	2,578	(2,578)
Net investment income	-	(140)	140
Benefit payments, including refunds of employee contributions	(14,637)	(14,637)	-
Administrative expense	-	(169)	169
Other changes	-	6	(6)
Net changes	7,252	(8,922)	16,174
Pension Liability Balances at June 30, 2022	\$ 277,575	\$ 259,238	\$ 18,337
Changes for the year - Increase (Decrease):			
Service cost	4,081	-	4,081
Interest	18,537	-	18,537
Difference between expected and actual experience	10,377	-	10,377
Contributions - employer	-	3,592	(3,592)
Contributions - employee	-	2,787	(2,787)
Net investment income	-	16,506	(16,506)
Benefit payments, including refunds of employee contributions	(14,069)	(14,069)	-
Administrative expense	-	(168)	168
Other changes	-	7	(7)
Net changes	18,926	8,655	10,271
Pension Liability Balances at June 30, 2023	\$ 296,501	\$ 267,893	\$ 28,608

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

The following presents HRSD's net pension liability/(asset) using the discount rate of 6.75%, as well as what HRSD's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (at 5.75%) or one percentage point higher (at 7.75%) than the current rate:

Net Pension Liability/(Asset) (in thousands)	1% Decrease 5.75%	Current Discount 6.75%	1% Increase 7.75%
Pension Discount Rate			
Year ended June 30, 2023	\$ 69,805	\$ 28,608	\$ (4,899)
Year ended June 30, 2022	57,843	18,337	(13,498)

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

HRSD recognized pension expense of \$5,239,000 and \$1,631,000 for the years ended June 30, 2024 and 2023, respectively. At June 30, 2024 and 2023, HRSD reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(in thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources
Year ended June 30, 2024:		
Differences between expected and actual experience	\$ 7,483	\$ 169
Changes of assumptions	1,416	-
Net diff bet projected and actual earnings on program investments	-	4,230
Employer contributions subsequent to the measurement date	3,928	-
Total	<u>\$ 12,827</u>	<u>\$ 4,399</u>
Year ended June 30, 2023:		
Differences between expected and actual experience	\$ 127	\$ 459
Changes of assumptions	4,064	-
Net diff bet projected and actual earnings on program investments	-	7,857
Employer contributions subsequent to the measurement date	3,592	-
Total	<u>\$ 7,783</u>	<u>\$ 8,316</u>

HRSD reported \$3,928,000 and \$3,592,000 as of June 30, 2024 and 2023, respectively, as deferred outflows of resources resulting from HRSD's contributions subsequent to the measurement date, which will be recognized as reductions of the Net Pension Liability in the years ended June 30, 2025 and 2024, respectively. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

(in thousands)		
Years ended June 30	2024	2023
2024	\$ -	(580)
2025	1,151	(1,909)
2026	(2,163)	(5,224)
2027	5,367	3,588
2028	145	-
	<u>\$ 4,500</u>	<u>\$ (4,125)</u>

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2023 Annual Report. A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <https://employers.varetire.org/media/shared/pdf/publications/2023-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 9 – NOTES PAYABLE AND BONDS**Notes Payable**

As of October 30, 2015, HRSD entered into a Credit Agreement with Bank of America, N.A. (BoFA) to provide a revolving line of credit (LOC) for interim financing or refinancing of capital project costs. HRSD entered into a Second Amended and Restated Credit Agreement, dated as of June 30, 2022, which BoFA provided a revolving LOC in the aggregate principal amount of up to \$100,000,000. Pursuant to the Second Amendment to the Second Amended and Restated Credit Agreement, dated as of April 9, 2024, the maximum outstanding authorization on the LOC was increased to \$300,000,000.

Interest on advances is payable monthly at a fluctuating rate per annum. Tax-exempt projects are payable at an interest rate equal to 80% of the Secured Overnight Financing Rate (SORF) rate (for a daily or a one-month term) plus 0.47% per annum. Taxable projects are payable at an interest rate equal to 100% of the SOFR rate plus 0.60% per annum.

At June 30, 2024 and 2023, the principal balance in the BOA line of credit was \$100,000,000 and \$68,580,000, respectively. The remaining available balance at June 30, 2024 and 2023, respectively was \$200,000,000 and \$31,420,000. The agreement provides for certain actions to be taken in events of default including acceleration of payment of the line of credit balance, termination of the lender's commitment to make further advances, and increasing the interest rate in effect to a higher default rate until paid in full. The line of credit is recorded as Notes Payable in the Current Liabilities section of the Statements of Net Position.

Bonds

HRSD issues revenue bonds for various capital improvements including but not limited to wastewater treatment plants and interceptor system improvements. HRSD's principal outstanding balance (including unamortized bond premium) as of June 30, 2024 and 2023 was \$526,950,000 and \$561,415,000, respectively. Senior debt has higher priority for repayment in bankruptcy or liquidation, while subordinated debt is paid out only if funds remain after senior debt is settled. With HRSD's issuance of Wastewater Revenue Bond, Series 2024A, in fiscal year 2024, HRSD fully discharged all debt previously identified as senior lien obligations. With no debt priority, all debt is now identified as senior obligations.

Included in the total outstanding bond balance, HRSD has \$50 million outstanding in variable rate demand bonds, Series 2016B, utilized to partially finance its capital improvement plan. The bonds bear interest in either a Weekly Period or a Long-term Period. The bonds were initially issued in a Weekly Interest Period and bear interest at a varying interest rate until, at HRSD's option, they are converted to the Long-term Period. Liquidity to pay the purchase price of the bonds that are tendered and not remarketed is provided by HRSD. Maturities of the principal and interest for these bonds are shown in the following table as if held to maturity. The bonds are subject to optional redemption by HRSD prior to their maturity. Through June 30, 2024, the bonds have been successfully remarketed by the Remarketing Agent. The interest rate for the bonds at June 30, 2024 and 2023 was 3.45% and 2.21%, respectively. The 2024 rate was used to calculate interest maturity amounts shown below.

Virginia Resources Authority (VRA)

HRSD is indebted for bond issues payable to the VRA as administrator of the Virginia Water Facilities Fund. HRSD is required to adhere to and is in compliance with the rebate and reporting requirements of the federal regulations pertaining to arbitrage. HRSD's principal outstanding balance as of June 30, 2024 and 2023, was \$366,890,000 and \$324,428,000, respectively.

Water Infrastructure Finance and Innovation Act (WIFIA)

The Water Infrastructure Finance and Innovation Act of 2014 (WIFIA) established the WIFIA program, a federal credit program administered by EPA for eligible water and wastewater infrastructure projects. The WIFIA implementation rule outlines the eligibility and other requirements for prospective borrowers. The construction completion eligibility timeline required HRSD to enter into a Master Financing Agreement (MFA) with the WIFIA program. The MFA sets all the requirement conditions of the projects that will be funded under this program. To comply with the construction schedule completion requirements, the program will be funded in multiple tranches. Each tranche will have terms determined at the time of closing. To date HRSD has closed Tranche 1 for \$225,867,000 at 1.42% and Tranche 2 for \$476,582,000 at 1.95%. A liability is recognized when funds are drawn to reimburse HRSD for eligible expenses. The principal outstanding WIFIA balance as of June 30, 2024, was \$400,483,000 and \$80,180,000 as of June 30, 2023.

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All bonds are secured by the revenues of HRSD and are payable over the duration of that issue. Summary of activity:

(in thousands)	Balance at 6/30/2022			Balance at 6/30/2023			Balance at 6/30/2024		Due within One year
		Additions	Deductions		Additions	Deductions			
BONDS									
Series-2009B	\$ 108,015		\$ (4,305)	\$ 103,710		\$ (103,710)	\$ -		\$ -
Series-2014A	50,390		(11,825)	38,565		(38,565)	-		-
Series-2016A	86,760		(3,080)	83,680		(3,235)	80,445		3,405
Series-2016B VR	50,000		-	50,000		-	50,000		50,000
Series-2017A	72,055		-	72,055		-	72,055		-
Series-2018A	18,360		(1,145)	17,215		(1,205)	16,010		1,265
Series-2019A	199,465		(3,275)	196,190		(3,335)	192,855		3,390
Series-2024A	-		-	-	115,585	-	115,585		17,315
WIFIA									
WIFIA-Tranche 1	-	80,180	-	80,180	118,553	-	198,733		90
WIFIA-Tranche 2	-	-	-	-	201,750	-	201,750		-
VRA									
VRA - York River Reuse	77		(77)	-		-	-		-
VRA - Ches-Eliz Off Gas	71		(71)	-		-	-		-
VRA - AB Aeration	58		(58)	-		-	-		-
VRA - AB Generator	302		(73)	229		(75)	154		76
VRA - Atlantic Expansion	2,229		(437)	1,792		(442)	1,350		446
VRA - Ches-Eliz Expansion	12,177		(2,387)	9,790		(2,411)	7,379		2,435
VRA - Williamsburg PS	532		(95)	437		(95)	342		96
VRA - York River Expansion	15,749		(1,567)	14,182		(1,610)	12,572		1,654
VRA - JRTP	6,882		(756)	6,126		(770)	5,356		784
VRA - NTP	10,281		(1,062)	9,219		(1,081)	8,138		1,101
VRA - Metering	5,308		(548)	4,760		(558)	4,202		568
VRA - ABTP	29,704		(2,563)	27,141		(2,616)	24,525		2,670
VRA - WTP	3,022		(309)	2,713		(315)	2,398		322
VRA - BHTP	4,106		(396)	3,710		(404)	3,306		412
VRA - ATP	3,929		(337)	3,592		(341)	3,251		345
VRA - Rodman	960		(37)	923		(38)	885		39
VRA - BHTP Switchgear	7,248		(377)	6,871		(384)	6,487		392
VRA - Lucas	2,683		(90)	2,593		(93)	2,500		95
VRA - Ferguson	766		(30)	736		(31)	705		32
VRA - Huxley	3,542		(42)	3,500		(183)	3,317		186
VRA - Atlantic	56,185		(1,722)	54,463		(1,839)	52,624		1,877
VRA - Deep Creek IFM	4,760		(231)	4,529		(234)	4,295		237
VRA - Orcutt Ave and Mercury	7,620		(231)	7,389		(238)	7,151		245
VRA - TP Dewatering	3,319		(154)	3,165		(164)	3,001		166
VRA - ES*	4,902	13,106	-	18,008	6,975	(4,937)	20,046		1,182
VRA - Group Loan	80,251	19,749	(2,308)	97,692		(4,629)	93,063		4,682
VRA - 2022 Projects	222	40,646	-	40,868	58,904	-	99,772		4,537
VRA - 2024 Projects	-	-	-	-	71	-	71		-
Total	851,930	153,681	(39,588)	966,023	501,838	(173,538)	1,294,323		100,044
Unamortized Bond Premium	16,542	-	(2,822)	13,719	12,463	(3,060)	23,122		3,598
Total Bonds Payable	868,472	153,681	(42,410)	979,742	514,301	(176,598)	1,317,445		103,642
Notes Payable	33,721	34,859	-	68,580	31,420	-	100,000		100,000
Total Outstanding Debt	\$ 902,193	\$ 188,540	\$ (42,410)	\$ 1,048,322	\$ 545,721	\$ (176,598)	\$ 1,417,445		\$ 203,642

Senior bonds outstanding at June 30, 2024:

(in thousands)	Issue	Principal Outstanding			Interest to	Interest	Duration	Final Maturity
	Amount	Total	Current	Long-Term	Maturity	Rates	of Issue	
Series-2016A	\$ 246,845	\$ 80,445	\$ 3,405	\$ 77,040	\$ 21,875	3.00% - 5.00%	20 years	August 1, 2036
Series-2017A	83,485	72,055	-	72,055	33,417	3.50% - 5.00%	26 years	October 1, 2043
Series-2018A	63,185	16,010	1,265	14,745	4,331	5.00%	15 years	October 1, 2033
Series-2019A	205,675	192,855	3,390	189,465	42,743	1.86% - 2.78%	20 years	February 1, 2039
Series-2024A	115,585	115,585	17,315	98,270	41,051	5.00%	15 years	November 1, 2039
WIFIA-Tranche 1 *	225,866	198,733	90	198,643	77,474	1.40%	40 years	April 1, 2060
WIFIA-Tranche 2 *	476,582	201,750	-	201,750	87,734	1.95%	40 years	April 1, 2060
VRA - AB Generator	1,235	154	76	78	4	2.00%	20 years	April 1, 2026
VRA - Atlantic Expansion	7,340	1,350	446	904	24	1.00%	20 years	February 1, 2027
VRA - Ches-Eliz Expansion	40,330	7,379	2,435	4,944	130	1.00%	20 years	June 1, 2027
VRA - Williamsburg PS	1,605	342	96	246	7	1.00%	20 years	July 1, 2027
VRA - York River Expansion	29,683	12,572	1,654	10,918	1,320	2.72%	20 years	March 1, 2031
VRA - JRTP	13,431	5,356	784	4,572	344	1.80%	20 years	September 1, 2030
VRA - NTP	19,395	8,138	1,101	7,037	560	1.80%	20 years	March 1, 2031
VRA - Metering	9,989	4,202	568	3,634	289	1.80%	20 years	March 1, 2031
VRA - ABTP	50,000	24,525	2,670	21,855	2,324	2.05%	20 years	September 1, 2032
VRA - WTP	5,727	2,398	322	2,076	188	2.05%	20 years	March 1, 2031
VRA - BHTP	7,584	3,306	412	2,894	277	2.05%	20 years	September 1, 2031
VRA - ATP	6,318	3,251	345	2,906	180	1.15%	20 years	February 1, 2033
VRA - Rodman	1,096	885	39	846	204	2.25%	25 years	June 1, 2043
VRA - BHTP Switchgear	7,619	6,487	392	6,095	944	1.85%	20 years	December 1, 2040
VRA - Lucas	2,949	2,500	95	2,405	743	2.65%	27 years	October 1, 2044
VRA - Ferguson	866	705	32	673	185	2.70%	25 years	March 1, 2042
VRA - Huxley	3,868	3,317	186	3,131	345	1.20%	20 years	August 1, 2040
VRA - Atlantic	57,149	52,624	1,877	50,747	14,421	2.25%	30 years	March 1, 2046
VRA - Deep Creek IFM	4,989	4,295	237	4,058	452	1.20%	20 years	December 1, 2040
VRA - Orcutt Ave and Mercury	7,968	7,151	245	6,906	2,465	2.85%	30 years	February 1, 2046
VRA - TP Dewatering	3,498	3,001	166	2,835	315	1.20%	20 years	October 1, 2040
VRA - ES *	26,063	20,046	1,182	18,864	3,353	1.30%	20 years	October 1, 2043
VRA - Group Loan	100,000	93,064	4,682	88,382	10,232	1.15%	22 years	March 1, 2042
VRA - 2022 Projects	100,000	99,771	4,537	95,234	13,533	1.30%	20 years	December 1, 2043
VRA - 2024 Projects *	80,000	71	-	71	2	2.20%	20 years	December 1, 2045
Total Fixed Bonds Payable		1,244,323	50,044	1,194,279	361,466			
Unamortized Bonds Premium		23,122	3,598	19,524	-			
Total		1,267,445	53,642	1,213,803	361,466			
Series-2016B VR		50,000	50,000	-	38,215	Variable 3.45% June 30, 2024	30 years	August 1, 2046
Total Bonds Payable		1,317,445	103,642	1,213,803	399,681			
Notes Payable		100,000	100,000	-	-	Variable 4.73% June 30, 2024		
Total Outstanding Debt		\$ 1,417,445	\$ 203,642	\$ 1,213,803	\$ 399,681			

* These VRA and WIFIA bonds are still in the draw down phase of the loan.

NOTES TO THE FINANCIAL STATEMENTS

Maturities of senior bond principal and interest as of June 30, 2024:

(in thousands)				
June 30,	Principal	Interest	Total	
2025	\$ 200,044	\$ 26,817	\$ 226,861	
2026	51,039	25,633	76,672	
2027	52,266	24,292	76,558	
2028	50,195	22,937	73,132	
2029	51,557	24,846	76,403	
2030 - 2034	261,382	102,271	363,653	
2035 - 2039	233,797	67,222	301,019	
2040 - 2044	100,757	43,815	144,572	
2045 - 2049	44,498	31,698	76,196	
2050 - 2054	130,303	21,364	151,667	
2055 - 2059	196,604	8,578	205,182	
2060 - 2064	21,881	208	22,089	
Total	1,394,323	399,681	1,794,004	
Unamortized Bond Premium	23,122	-	23,122	
Total	\$ 1,417,445	\$ 399,681	\$ 1,817,126	

HRSD defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the fund's financial statements. At June 30, 2024, the following defeased bonds from advance refunding are still outstanding:

Defeased in	Original Issue	Amount	Redemption
2017	Series 2016A	\$ 7,907,000	08/01/26
2019	Series 2014A	36,048,000	07/01/24
2019	Series 2016A	24,226,000	08/01/26
2019	Series 2016A	110,253,000	08/01/26
2019	Series 2017A	11,659,000	10/01/27
2019	Series 2018A	11,791,000	10/01/27
2019	Series 2018A	30,525,000	10/01/27
2024	Series 2014A	26,632,000	07/01/25
Total		\$ 259,041,000	

NOTE 10 – NET POSITIONRestricted Portion of Net Position

Restricted for debt service. HRSD's Trust Agreement requires that funds be set aside for its revenue bond debt service. At June 30, 2024 and 2023, \$22,307,000 and \$33,830,000, respectively, were contained in the unrestricted net position.

Reserved Portion of Unrestricted Net Position

Reserved for Improvement. HRSD's Master Trust Agreement requires a reserve for improvements. There is no specific funding mechanism established by the Trust Agreement. At June 30, 2024 and 2023, \$1,306,000 and \$194,000, respectively, was contained in the unrestricted net position. The \$1.1 million increase in the fiscal year 2024 reserve for improvements was mainly due to planned improvements in the liquid polymer activation mix system and loader and aerator processes. HRSD was in compliance with all funding requirements of this reserve during the fiscal years ended June 30, 2024 and 2023.

Reserved for Construction. A reserve for the construction program is based on funds designated by HRSD's Commission for such purposes. At June 30, 2024 and 2023, \$37,469,000 and \$3,115,000, respectively, was contained in the unrestricted net position.

NOTE 11 - RISK MANAGEMENT

HRSD is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; employee dishonesty; injuries to employees; and natural disasters. HRSD purchases commercial insurance for specific types of coverage including property, liability, auto, crime, public officials and workers' compensation. There were no significant reductions in insurance coverage from the prior year. Claim settlements and judgments not covered by commercial insurance are covered by operating resources. The amount of settlements did not exceed insurance coverage for each of the past three years. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

HRSD has a self-insured health, dental and vision care benefits program for all employees. Claims processing and payments for all health care claims are made through third-party administrators. HRSD uses the information provided by the third-party administrators and a health care benefits consultant to aid in the determination of self-insurance reserves. Hospitalization Reserve is included in Other Liabilities in the Current Liabilities section of the Statements of Net Position.

(in thousands)	Beginning of Fiscal Year	Estimated Claims Incurred	Claims Paid	End of Fiscal Year
2023	\$ 4,636	\$ 16,390	\$ (15,929)	\$ 5,097
2024	5,097	15,624	(13,189)	7,532

NOTE 12 – COMMITMENTS AND CONTINGENCIESConsent Decree

On December 19, 2014, the Commonwealth of Virginia entered into a long-term State Consent Agreement (the "2014 Consent Agreement") with 14 of the localities that HRSD serves. The 2014 Consent Agreement requires the localities to perform long-term management, operations and maintenance of their sewer systems in support of HRSD's efforts to provide long-term regional wet weather wastewater capacity. HRSD is not a party to the 2014 Consent Agreement. Instead, HRSD's obligation to provide regional wet weather sewer capacity is now memorialized in its federal consent decree (the "Consent Decree"). HRSD entered into the Consent Decree with the Commonwealth and the United States Environmental Protection Agency ("EPA").

The Consent Decree was entered by the federal district court for the Eastern District of Virginia (the "District Court") on February 23, 2010. The Consent Decree has been amended six times, most recently on January 19, 2024 (the "Amended Consent Decree"). The sixth amendment reorders and/or revises certain projects (with no change in overall program cost).

The Amended Consent Decree has two major operative requirements. First, it requires HRSD to implement its approved Regional Wet Weather Management Plan ("RWWMP") to control 69 percent of the capacity-related sewer overflow volume predicted to occur in a five-year storm event. Because HRSD has assumed responsibility for

NOTES TO THE FINANCIAL STATEMENTS

planning (in consultation with the 14 affected localities), designing, funding, and implementing the controls (high priority projects) in both the localities' systems and the HRSD system contained in the approved RWWMP, HRSD estimates the regional ratepayers will achieve significantly reduced program costs than if each locality sought to address peak wet weather wastewater flows on its own. To further facilitate this approach, the 14 affected localities entered into a Memorandum of Agreement with HRSD in 2014 in which they agreed to (1) cooperate with HRSD, (2) facilitate the construction of and accept ownership of any improvements which HRSD may need to construct in the localities' systems, and (3) maintain the integrity of their systems to industry standards.

The Amended Consent Decree includes a schedule for wastewater system improvements that expressly accommodates HRSD's Sustainable Water Initiative for Tomorrow (SWIFT) program. That schedule requires that HRSD implement \$200 million worth of High Priority Project sewer overflow control projects between 2020 and 2030 and then another \$200 million in sewer overflow control projects between 2030 and 2040. These two sets of projects prioritize system improvements that HRSD is to implement along with the SWIFT project. The Amended Consent Decree gives HRSD until 2032 to invest \$1.1 billion in the SWIFT program. Finally, the Amended Consent Decree provides that if HRSD will not make the full \$1.1 billion investment in the SWIFT Project by 2032 then EPA can require HRSD to accelerate some or all of the second group (\$200 million worth) of High Priority sewer overflow control projects to offset the avoided investment in the SWIFT program.

Capital Commitments

HRSD has a major capital improvement and expansion program funded through the issuance of debt and its own resources. As of June 30, 2024 and 2023, HRSD has outstanding commitments for contracts in progress of approximately \$1.6 billion and \$1.3 billion, respectively.

NOTE 13 – FAIR VALUE MEASUREMENTS

HRSD categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on 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. Level 3 inputs are significant unobservable inputs.

Debt securities reported as investments are classified in Level 2 of the fair value hierarchy and are valued using the following approaches:

- U.S. Treasury securities are valued using quoted prices for identical or similar securities.
- All other investments are valued based on matrix pricing using observable data of securities with similar attributes.

The VIP is an Internal Revenue Code Section 115 governmental trust fund created under the Joint Exercise of Powers statute of the Commonwealth of Virginia to provide political subdivisions with an investment vehicle to pool their funds and to invest such funds into two or more investment portfolios under the direction and daily supervision of a professional fund manager. The Trust was established and created by the City of Chesapeake, Virginia, and the City of Roanoke, Virginia (the "Founding Participants") and operates under the Trust Agreement as amended September 23, 2016. All deposits to VIP initially go into the Stable NAV Liquidity Pool, which serves both as a liquidity pool and as a sweep account for the 1-3 Year High Quality Bond Fund. HRSD's total investment in VIP 1-3 Year High Quality Bond Fund was \$65.92 million (valued at NAV) and \$63.07 million, as of June 30, 2024 and 2023, respectively. HRSD's total investment in VIP's Stable NAV Liquidity Pool (valued at NAV) was \$178.79 million and \$129.51 million as of June 30, 2024 and 2023, respectively. See Note 3 for additional information.

HRSD OPEB Trust Investments

The HRSD OPEB Trust has investments in mutual funds, cash, and cash equivalents on deposit with its trustee, U.S. Bank. HRSD categorizes its fair value measurements within the fair value hierarchy consistent with the approach described above.

(in thousands)

Balance at June 30, 2024**Investments by Fair Value Level**

	Fair Value	Level 1	Level 2	Level 3
Mutual Funds - Equity	\$ 46,685	\$ 41,130	\$ 5,555	-
Mutual Funds - Fixed Income	25,608	6,501	19,107	-
Other Income	2,646	-	-	2,646
Total Investments by Fair Value Level	\$ 74,939	\$ 47,631	\$ 24,662	\$ 2,646

Cash Equivalents Measured at Net Asset Value

First American Government Obligation	818
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Fiduciary Net Position of HRSD's OPEB

\$ 75,757

Balance at June 30, 2023**Investments by Fair Value Level**

	Fair Value	Level 1	Level 2	Level 3
Mutual Funds - Equity	\$ 40,407	\$ 34,319	\$ 6,088	\$ -
Mutual Funds - Fixed Income	24,016	4,760	19,256	-
Other Income	2,805	-	-	2,805
Total Investments by Fair Value Level	\$ 67,228	\$ 39,079	\$ 25,344	\$ 2,805

Cash Equivalents Measured at Net Asset Value

First American Government Obligation	195
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Fiduciary Net Position of HRSD's OPEB

\$ 67,423

Additional information about HRSD's OPEB Plan is in Notes 3 and 7.

NOTE 14 - FIDUCIARY ACTIVITIES

As discussed in Note 2, HRSD has prepared fiduciary fund financial statements for the fiscal years ended June 30, 2024 and 2023. The statements include information on HRSD's RHP, one of HRSD's three postemployment benefits other than pensions (other postemployment benefits, or OPEB) plans, and information on funds held by HRSD to apply toward customer accounts.

Retiree Health Plan

Detailed information related to HRSD's RHP is included in Notes 2, 3, 7 and 13 and in the Required Supplementary Information section of the Annual Comprehensive Financial Report. The RHP meets the requirements of GAAP for inclusion in the fiduciary fund financial statements. HRSD's other two OPEB plans are administered by VRS so do not qualify for inclusion. The RHP had total assets of \$75.8 million and \$67.4 million as of June 30, 2024 and 2023, respectively, which are restricted to providing postretirement benefits for plan participants.

American Recovery Plan Act

In further response to the COVID-19 pandemic disaster, the United States federal government enacted the American Recovery Plan Act of 2021 (ARPA) to provide funding for numerous programs to address the COVID-19 pandemic disaster, providing assistance to states, local, territorial, and tribal governments for direct impacts of the COVID-19 pandemic disaster through the establishment of the Coronavirus Relief Fund (CRF). Consistent with ARPA, the Commonwealth of Virginia established the State and Local Fiscal Recovery Funds (SLFRF) of ARPA to provide direct assistance to utility customers with accounts over 60 days in arrears.

During the fiscal years ended June 30, 2024 and 2023, HRSD did not receive any additional federal SLFRF-ARPA funds.

NOTES TO THE FINANCIAL STATEMENTS

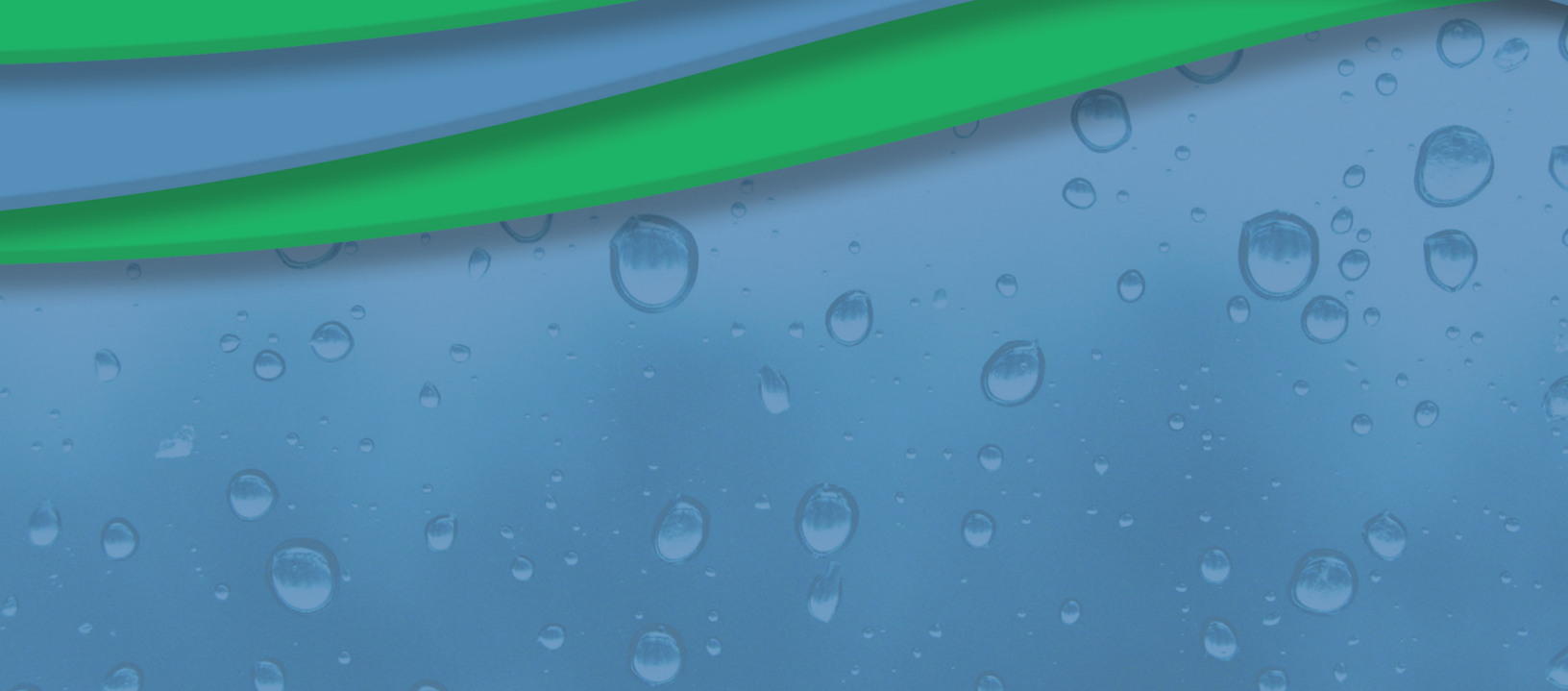
NOTE 15 - SUBSEQUENT EVENTS

On July 23, 2024, HRSD conducted a successful sale of the Wastewater Revenue Bonds, Series 2024B, raising \$268 million to fund capital projects, including HRSD's SWIFT projects. The bonds were sold at an overall interest rate of 4.15% and will be repaid through 2054. The bonds were sold via a negotiated sale process with Bank of America Securities, Inc. as the senior managing underwriter. Prior to the bond sale, Moody's Investors Service and S&P Global Ratings affirmed HRSD's bond ratings of Aa1 and AA+, respectively. As part of the credit review process, the rating agencies carefully evaluated the HRSD's system size and capacity, service area, finances, debt, and management, among other factors.

On September 30, 2024, HRSD entered into a new MFA with the WIFIA program and closed on Tranche 3 for \$268,088,000. The remaining balance of the MFA, \$353,176,000 is planned to close in fiscal year 2026.



REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)





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INDEX TO REQUIRED SUPPLEMENTARY INFORMATION

ANNUAL COMPREHENSIVE FINANCIAL REPORT / HAMPTON ROADS SANITATION DISTRICT

In accordance with the Governmental Accounting Standards Board, the following information is required to accompany the Basic Financial Statements.

Contents	Page
Pension	65
Schedule of Employer Pension Contributions and Schedule of Changes in Net Pension Liability	
OPEB	68
Schedule of Employer OPEB Contributions and Schedule of Changes in Net Liability for each of HRSD's three OPEB plans: RHP, GLI and HIC	

Unaudited – See accompanying independent auditors' report



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SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS FOR THE YEARS ENDED JUNE 30, 2015 THROUGH 2024

Date	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2024	\$ 3,928,000	\$ 3,928,000	\$ -	\$ 66,051,000	5.95%
2023	3,592,000	3,592,000	-	58,965,000	6.09%
2022	3,441,000	3,441,000	-	54,750,000	6.28%
2021	3,453,000	3,453,000	-	54,107,000	6.38%
2020	2,897,000	2,897,000	-	53,085,000	5.46%
2019	2,866,000	2,866,000	-	51,336,000	5.58%
2018	3,635,000	3,635,000	-	50,874,000	7.15%
2017	4,326,000	4,326,000	-	49,286,000	8.78%
2016	4,222,000	4,222,000	-	47,838,000	8.83%
2015	4,207,000	4,207,000	-	47,674,000	8.82%

Notes to Required Supplementary Information For the Year Ended June 30, 2024:

Changes of benefit terms

There have been no actuarially material changes to the VRS benefit provisions since the prior actuarial valuation.

Changes of assumptions

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates:

Pre-retirement, post-retirement healthy, and disabled	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/ Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Information pertaining to Pensions can be found in Notes 2 and 8 to the financial statements.

**SCHEDULE OF CHANGES IN
NET PENSION LIABILITY AND RELATED RATIOS**

(in thousands)	2023	2022	2021	2020	2019
Total pension liability					
Service cost	\$ 4,081	\$ 3,833	\$ 4,264	\$ 4,229	\$ 3,946
Interest	18,537	18,012	16,787	16,223	15,598
Changes of benefit terms	-	-	6,599	-	-
Changes in assumptions	-	-	-	-	7,378
Difference between expected and actual experience	10,377	44	(266)	(991)	760
Benefit payments, including refunds of employee contributions	(14,069)	(14,637)	(11,512)	(10,696)	(9,655)
Net change in total pension liability	18,926	7,252	15,872	8,765	18,027
Total pension liability - beginning	277,575	270,323	254,451	245,686	227,659
Total pension liability - ending (a)	\$ 296,501	\$ 277,575	\$ 270,323	\$ 254,451	\$ 245,686
Plan fiduciary net position					
Contributions - employer	\$ 3,592	\$ 3,440	\$ 3,453	\$ 2,897	\$ 2,866
Contributions - employee	2,787	2,578	2,569	2,538	2,468
Net investment income	16,506	(140)	58,456	4,115	13,739
Benefit payments, including refunds of employee contributions	(14,069)	(14,637)	(11,512)	(10,696)	(9,655)
Administrative expense	(168)	(169)	(147)	(142)	(137)
Other	7	6	6	(5)	(8)
Net change in plan fiduciary net position	8,655	(8,922)	52,825	(1,293)	9,273
Plan fiduciary net position - beginning	259,238	268,160	215,335	216,628	207,355
Plan fiduciary net position - ending (b)	\$ 267,893	\$ 259,238	\$ 268,160	\$ 215,335	\$ 216,628
Net pension liability - ending (a) - (b)	\$ 28,608	\$ 18,337	\$ 2,163	\$ 39,116	\$ 29,058
Plan fiduciary net position as a percentage of the total pension liability (b)/(a)	90.35%	93.39%	99.20%	84.63%	88.17%
Covered payroll (c)	\$ 58,965	\$ 54,750	\$ 54,107	\$ 53,085	\$ 51,336
Net pension liability as a percentage of the covered payroll ((a)-(b))/(c)	48.52%	33.49%	4.00%	73.69%	56.60%

Unaudited – See accompanying independent auditors' report and notes to required supplementary information

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

(in thousands)

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 3,825	\$ 4,145	\$ 4,025	\$ 4,115	\$ 3,943
Interest	14,953	14,750	13,872	13,559	12,906
Changes of benefit terms	-	-	-	-	-
Changes in assumptions	-	(3,975)	-	-	-
Difference between expected and actual experience	(101)	(3,175)	2,980	(4,910)	-
Benefit payments, including refunds of employee contributions	(9,250)	(8,475)	(8,161)	(8,446)	(6,607)
Net change in total pension liability	9,427	3,270	12,716	4,318	10,242
Total pension liability - beginning	218,232	214,962	202,246	197,928	187,686
Total pension liability - ending (a)	\$ 227,659	\$ 218,232	\$ 214,962	\$ 202,246	\$ 197,928
Plan fiduciary net position					
Contributions - employer	\$ 3,710	\$ 3,609	\$ 4,083	\$ 4,099	\$ 4,114
Contributions - employee	2,424	2,351	2,286	2,314	2,267
Net investment income	14,451	21,526	3,062	7,807	23,313
Benefit payments, including refunds of employee contributions	(9,250)	(8,475)	(8,161)	(8,446)	(6,607)
Administrative expense	(125)	(124)	(109)	(107)	(125)
Other	(12)	(19)	(1)	(2)	1
Net change in plan fiduciary net position	11,198	18,868	1,160	5,665	22,963
Plan fiduciary net position - beginning	196,157	177,289	176,129	170,464	147,501
Plan fiduciary net position - ending (b)	\$ 207,355	\$ 196,157	\$ 177,289	\$ 176,129	\$ 170,464
Net pension liability - ending (a) - (b)	\$ 20,304	\$ 22,075	\$ 37,673	\$ 26,117	\$ 27,465
Plan fiduciary net position as a percentage of the total pension liability (b)/(a)	91.08%	89.88%	82.47%	87.09%	86.12%
Covered payroll (c)	\$ 50,874	\$ 49,286	\$ 47,838	\$ 47,674	\$ 46,096
Net pension liability as a percentage of the covered payroll ((a)-(b))/(c)	39.91%	44.79%	78.75%	54.78%	59.58%

Unaudited – See accompanying independent auditors' report and notes to required supplementary information

**SCHEDULE OF EMPLOYER RHP OPEB CONTRIBUTIONS
FOR THE YEARS ENDED JUNE 30, 2015 THROUGH 2024**

Date	Actuarially Determined Contribution	Contribution in Relation to the Actuarially Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2024	\$ 1,558,000	\$ 1,914,000	\$ (356,000)	\$ 65,575,000	2.38%
2023	1,606,000	2,467,000	(861,000)	58,965,000	2.72%
2022	1,828,000	2,260,000	(432,000)	55,853,000	3.27%
2021	1,858,000	1,963,000	(105,000)	55,731,000	3.33%
2020	2,730,000	2,730,000	-	54,799,000	4.98%
2019	2,993,000	2,993,000	-	52,070,000	5.75%
2018	2,729,000	2,729,000	-	50,874,000	5.36%
2017	2,558,000	2,558,000	-	49,286,000	5.19%
2016	2,178,000	2,178,000	-	47,838,000	4.55%
2015	2,177,000	2,177,000	-	47,674,000	4.57%

Notes to Required Supplementary Information For the Year Ended June 30, 2024:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of projected payroll
Amortization period	An experience gain/loss base is created each year and amortized over a 15 year period
Asset valuation	The asset valuation method is the smoothed market value with phase-in method, using a smoothing period of 5 years, as described in paragraph 3.11 of IRS Revenue Procedure 2000-40.
Assumed rate of inflation	2.50%
Healthcare cost trend:	Society of Actuaries (SOA) 2022 Getzen Long-Term Healthcare Cost Trend Model with baseline assumptions. This model is designed to estimate the trend after 2024. The trend rate for 2023 and 2024 was set to 7.5%.
Salary increase rate	2.50%
Investments rate of return	6.00%
Mortality rates:	
Active Employees	SOA Pub-2010 General Employees Headcount-Weighted Mortality Table projected on a fully generational basis with mortality improvement scale MP-2021
Healthy Retirees	SOA Pub-2010 General Retirees Headcount-Weighted Mortality Table projected on a fully generational basis with mortality improvement scale MP-2021
Disabled Retirees	SOA Pub-2010 General Disabled Retirees Headcount-Weighted Mortality Table projected on a fully generational basis with mortality improvement scale MP-2021

SCHEDULE OF CHANGES IN NET RHP OPEB LIABILITY (ASSET) AND RELATED RATIOS

(in thousands)

	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability								
Service cost	\$ 1,274	\$ 1,534	\$ 1,435	\$ 1,333	\$ 1,345	\$ 1,300	\$ 1,260	\$ 1,188
Interest	4,533	4,398	4,052	3,672	3,883	3,571	3,391	3,208
Changes in assumptions	2,599	(5,285)	-	-	(518)	(1,607)	-	-
Differences between expected and actual experience	(3,472)	3,617	2,303	2,930	(7,074)	3,302	-	-
Benefit payments, including refunds of employee contributions	(1,850)	(2,329)	(1,902)	(1,425)	(1,186)	(1,149)	(1,791)	(892)
Net change in total OPEB liability	3,084	1,935	5,888	6,510	(3,550)	5,417	2,860	3,504
Total OPEB liability - beginning	76,476	74,541	68,653	62,143	65,693	60,276	57,416	53,913
Total OPEB liability - ending (a)	\$ 79,560	\$ 76,476	\$ 74,541	\$ 68,653	\$ 62,143	\$ 65,693	\$ 60,276	\$ 57,417
Plan fiduciary net position								
Contributions - employer	\$ 1,914	\$ 2,467	\$ 2,260	\$ 1,963	\$ 2,730	\$ 2,993	\$ 2,729	\$ 2,558
Contributions - retirees	-	-	-	-	-	-	303	-
Net investment income	8,270	5,148	(9,887)	14,216	3,343	3,078	3,450	3,957
Benefit payments, including refunds of employee contributions	(1,850)	(2,329)	(1,902)	(1,425)	(1,186)	(1,149)	(1,791)	(892)
Administrative expense	-	-	-	-	-	-	(114)	(495)
Net change in plan fiduciary net position	8,334	5,286	(9,529)	14,754	4,887	4,922	4,577	5,128
Plan fiduciary net position - beginning	67,423	62,137	71,666	56,912	52,025	47,103	42,526	37,398
Plan fiduciary net position - ending (b)	\$ 75,757	\$ 67,423	\$ 62,137	\$ 71,666	\$ 56,912	\$ 52,025	\$ 47,103	\$ 42,526
Net OPEB liability (asset) - ending (a) - (b)	\$ 3,803	\$ 9,053	\$ 12,404	\$ (3,013)	\$ 5,231	\$ 13,668	\$ 13,173	\$ 14,891
Plan fiduciary net position as a percentage of the total OPEB liability (b)/(a)	95.22%	88.16%	83.36%	104.39%	91.58%	79.19%	78.15%	74.07%
Covered payroll (c)	\$ 65,575	\$ 58,965	\$ 55,853	\$ 55,731	\$ 54,799	\$ 52,070	\$ 50,874	\$ 49,286
Net OPEB liability (asset) as a percentage of the covered payroll ((a)-(b))/(c)	5.80%	15.35%	22.21%	(5.41%)	9.55%	26.25%	25.89%	30.21%

This schedule is intended to show information for 10 years. However, until a full ten-year trend is compiled, HRSD will present information for those years for which information is available.

Notes to Required Supplementary Information For the Year Ended June 30, 2024:

Benefit changes	None
Changes of assumptions:	
Mortality	Updated to the latest Society of Actuaries (SOA) public sector experience study rates.
Medical Trend	Developed using the SOA Long-Run Medical Cost Trend Model baseline assumption. The prior valuations used the SOA model as updated in November 2016 and included the impact of the Cadillac Tax. The current valuation uses the model as updated in September 2019 and does not include the impact of the Cadillac Tax.
Discount rate	6/30/2019 6.00%

Unaudited – See accompanying independent auditors' report and notes to required supplementary information

**SCHEDULE OF EMPLOYER GLI OPEB CONTRIBUTIONS
FOR THE YEARS ENDED JUNE 30, 2015 THROUGH 2024**

Date	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2024	\$ 357,000	\$ 357,000	\$ -	\$ 66,079,000	0.54%
2023	318,000	318,000	-	58,965,000	0.54%
2022	296,000	296,000	-	54,835,000	0.54%
2021	293,000	293,000	-	54,222,000	0.54%
2020	276,000	276,000	-	53,126,000	0.52%
2019	267,000	267,000	-	51,376,000	0.52%
2018	259,000	259,000	-	49,846,000	0.52%
2017	250,000	250,000	-	47,987,000	0.52%
2016	246,000	223,000	23,000	46,417,000	0.53%
2015	244,000	221,000	23,000	46,082,000	0.53%

Notes to Required Supplementary Information For the Year Ended June 30, 2024:

Changes of benefit terms

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality rates:

Pre-retirement, post-retirement healthy, and disabled	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/ Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Information pertaining to OPEB can be found in Notes 2 and 7 to the financial statements.

**SCHEDULE OF EMPLOYER'S SHARE OF
NET GLI OPEB LIABILITY AND RELATED RATIOS
FOR THE MEASUREMENT DATES OF JUNE 30, 2017 THROUGH 2023**

(in thousands)

	2023	2022	2021	2020	2019	2018	2017
Employer's Proportion of the Net GLI OPEB Liability	0.2503%	0.2521%	0.2626%	0.25814%	0.26208%	0.26214%	0.26016%
Employer's Proportionate Share of the Net GLI OPEB Liability	\$ 3,002	\$ 3,035	\$ 3,058	\$ 4,307	\$ 4,265	\$ 3,981	\$ 3,915
Employer's Covered Payroll	\$ 58,965	\$ 54,835	\$ 54,222	\$ 53,126	\$ 51,376	\$ 49,846	\$ 47,987
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	5.09%	5.53%	5.64%	8.11%	8.30%	7.99%	8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	69.30%	67.21%	67.45%	52.64%	52.00%	51.22%	48.86%

This schedule is intended to show information for 10 years. However, until a full ten-year trend is compiled, HRSD will present information for those years for which information is available.

In accordance with GAAP, Net Liability is reported using the measurement date, which is one year prior to the reporting date.

**SCHEDULE OF EMPLOYER HIC OPEB CONTRIBUTIONS
FOR THE YEARS ENDED JUNE 30, 2015 THROUGH 2024**

Date	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2024	\$ 139,000	\$ 139,000	\$ -	\$ 66,051,000	0.21%
2023	124,000	124,000	-	58,965,000	0.21%
2022	115,000	115,000	-	54,750,000	0.21%
2021	114,000	114,000	-	54,107,000	0.21%
2020	111,000	111,000	-	53,085,000	0.21%
2019	108,000	108,000	-	51,336,000	0.21%
2018	95,000	95,000	-	49,821,000	0.19%
2017	91,000	91,000	-	47,987,000	0.19%
2016	74,000	74,000	-	46,417,000	0.16%
2015	74,000	74,000	-	46,076,000	0.16%

Notes to Required Supplementary Information For the Year Ended June 30, 2024:

Changes of benefit terms

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows: actuarial assumptions as a result of the experience study are as follows:

Mortality rates:

Pre-retirement, post-retirement healthy, and disabled	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/ Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Information pertaining to OPEB can be found in Notes 2 and 7 to the financial statements.

SCHEDULE OF CHANGES IN NET HIC OPEB LIABILITY AND RELATED RATIOS

(in thousands)

	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability							
Service cost	\$ 18	\$ 22	\$ 28	\$ 28	\$ 26	\$ 26	\$ 27
Interest	147	145	140	137	134	130	129
Changes in assumptions	-	88	15	-	50	-	(22)
Differences between expected and actual experience	106	(59)	5	16	26	27	-
Benefit payments, including refunds of employee contributions	(161)	(151)	(137)	(129)	(124)	(133)	(94)
Net change in total OPEB liability	110	45	51	52	112	50	40
Total OPEB liability - beginning	2,241	2,196	2,145	2,093	1,981	1,931	1,891
Total OPEB liability - ending (a)	\$ 2,351	\$ 2,241	\$ 2,196	\$ 2,145	\$ 2,093	\$ 1,981	\$ 1,931
Plan fiduciary net position							
Contributions - employer	\$ 124	\$ 115	\$ 114	\$ 111	\$ 108	\$ 95	\$ 91
Net investment income	65	2	238	18	56	60	90
Benefit payments, including refunds of employee contributions	(161)	(151)	(137)	(129)	(124)	(133)	(94)
Administrative expense	(1)	(2)	(3)	(2)	(1)	(1)	(1)
Other	-	9	-	-	-	(5)	4
Net change in plan fiduciary net position	27	(27)	212	(2)	39	16	90
Plan fiduciary net position - beginning	1,108	1,135	923	925	886	870	780
Plan fiduciary net position - ending (b)	\$ 1,135	\$ 1,108	\$ 1,135	\$ 923	\$ 925	\$ 886	\$ 870
Net OPEB liability - ending (a) - (b)	\$ 1,216	\$ 1,133	\$ 1,061	\$ 1,222	\$ 1,168	\$ 1,095	\$ 1,061
Plan fiduciary net position as a percentage of the total OPEB liability (b)/(a)	48.28%	49.44%	51.68%	43.03%	44.19%	44.72%	45.05%
Covered payroll (c)	\$58,965	\$54,750	\$54,107	\$53,085	\$51,336	\$49,821	\$47,987
Net OPEB liability as a percentage of the covered payroll ((a)-(b))/(c)	2.06%	2.07%	1.96%	2.30%	2.28%	2.20%	2.21%

This schedule is intended to show information for 10 years. However, until a full ten-year trend is compiled, HRSD will present information for those years for which information is available.



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STATISTICAL SECTION (UNAUDITED)



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INDEX TO STATISTICAL SECTION

ANNUAL COMPREHENSIVE FINANCIAL REPORT / HAMPTON ROADS SANITATION DISTRICT

This section of HRSD's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about HRSD's overall financial health.

Contents	Page
Demographic and Economic Information	79
This schedule offers demographic and economic indicators to help the reader understand the environment within which HRSD's financial activities take place and to help make comparisons over time and with other governments.	
Financial Trends	80
These schedules contain trend information to help the reader understand how HRSD's financial performance and well-being have changed over time.	
Debt Capacity	83
This schedule presents information to help the reader assess the affordability of HRSD's current levels of outstanding debt and HRSD's ability to issue additional debt in the future.	
Revenue Capacity	84
These schedules contain information to help the reader assess the factors affecting HRSD's ability to generate revenue from rate payers.	
Operating Information	86
These schedules contain information about HRSD's operations and resources to help the reader understand how HRSD's financial information relates to the services HRSD provides and the activities it performs.	

Sources: Unless otherwise noted the information in these schedules is derived from the annual comprehensive financial reports and accounting records for the relevant year.

Unaudited – See accompanying independent auditors' report



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DEMOGRAPHIC AND OTHER MISCELLANEOUS STATISTICS FOR THE LAST TEN FISCAL YEARS

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Date of Incorporation - 1940	4,998	4,998	4,998	4,998	3,087	3,087	3,087	3,087	2,808	2,808
Area in Square Miles (1)	766	766	766	766	758	758	758	758	672	672
Present Service Area in Square Miles (1)	8	8	9	9	9	9	9	9	9	9
Treatment Plants (Major) (2)										
Treatment Plant Capacity (MGD)										
Army Base, Norfolk	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0
Atlantic, Virginia Beach	54.0	54.0	54.0	54.0	54.0	54.0	54.0	54.0	54.0	54.0
Boat Harbor, Newport News	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
Chesapeake-Elizabeth, Virginia Beach (2)	-	-	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
James River, Newport News	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Nansemond, Suffolk	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0
Virginia Initiative, Norfolk	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0
Williamsburg, James City County	22.5	22.5	22.5	22.5	22.5	22.5	22.5	22.5	22.5	22.5
York River, York County	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Total Treatment Plants (Major) Capacity	224.5	224.5	248.5	248.5	248.5	248.5	248.5	248.5	248.5	248.5
Small Communities Treatment Plants	8	8	8	7	7	7	7	5	4	4
Small Communities Plant Capacity (MGD)										
Central Middlesex, Middlesex County	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025
King William, King William County	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100
Lawnes Point, Isle of Wight County (3)	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	-	-
Onancock, Accomack County(4)	0.750	0.750	0.750	-	-	-	-	-	-	-
Surry County, (5)	-	0.065	0.065	0.065	0.065	0.065	0.065	-	-	-
Town of Surry (5)	-	0.060	0.060	0.060	0.060	0.060	0.060	-	-	-
Urbanna, Middlesex County	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100
West Point, King William County	0.600	0.600	0.600	0.600	0.600	0.600	0.600	0.600	0.600	0.600
Total Small Communities Treatment Plants Capacity	1.625	1.750	1.750	1.000	1.000	1.000	1.000	0.875	0.825	0.825
Miles of Interceptor Systems	557	561	538	540	541	541	542	540	536	532
Interceptor Pump Stations	92	90	89	90	88	87	88	89	88	83
Small Communities Pump Stations	47	46	44	42	42	41	34	38	33	33
Maintenance Facilities	2	2	2	2	2	2	2	2	2	2
Number of Service Connections (in thousands)	488	486	484	481	478	476	473	470	467	465
Daily Average Treatment in Millions of Gallons	146	135	132	154	141	153	145	153	155	152
Bond Rating: Moody's	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aa2	Aa2	Aa2
Senior										
Subordinate Long-term		Aa1	Aa1	Aa1	Aa1	Aa2	Aa2	-	-	-
Bond Rating: Standard & Poor's	AA+	AA+	AA+	AA+	AA+	AA+	AA+	AA+	AA+	AA+
Senior										
Subordinate Long-term		AA+	AA+	AA+	AA+	AA+	AA	AA	AA	AA
Subordinate Short-term		A-1+	A-1+	A-1+	A-1+	A-1+	A-1+	A-1+	A-1+	A-1+
Bond Rating: Fitch	AA+	AA+	AA+	AA+	AA+	AA+	AA+	AA+	AA+	AA+
Senior										
Subordinate Long-term		AA	AA	AA	AA	AA	AA	AA	AA	AA
Subordinate Short-term		F1+	F1+	F1+	F1+	F1+	F1+	F1+	F1+	F1+

(1) HRSD added additional service areas in the counties of Isle of Wight and Surry during the year ended June 30, 2017 and the Eastern Shore of Virginia during the year ended June 30, 2021.

(2) The Chesapeake-Elizabeth Treatment Plant was closed on December 31, 2021. Wastewater from the area was redirected to the Atlantic Treatment Plant.

(3) Lawnes Point was acquired during the year ended June 30, 2017.

(4) The Onancock Plant was acquired during the year ended June 30, 2022.

(5) The Surry Plants were acquired during the year ended June 30, 2018 and closed in fiscal year 2024.

**SCHEDULE OF OPERATING REVENUES, EXPENSES, NET POSITION BY COMPONENT
AND DEBT SERVICE EXPENSES LAST TEN FISCAL YEARS**

(in thousands)					
	2024	2023	2022	2021	2020
OPERATING REVENUES					
Wastewater treatment charges	\$ 422,784	\$ 383,115	\$ 352,414	\$ 325,817	\$ 318,585
Miscellaneous	4,157	4,820	5,532	3,952	3,447
TOTAL OPERATING REVENUES	426,941	387,935	357,946	329,769	322,032
OPERATING EXPENSES					
Wastewater treatment	167,327	149,532	134,135	132,820	122,393
General and administrative	60,152	53,995	45,673	48,691	46,949
Depreciation	57,053	54,469	54,357	53,278	51,383
TOTAL OPERATING EXPENSES	284,532	257,996	234,165	234,789	220,725
OPERATING INCOME	142,409	129,939	123,781	94,980	101,307
NON-OPERATING REVENUES (EXPENSES)					
Wastewater facility charges	7,153	7,293	7,072	7,379	6,444
Investment income	13,673	6,068	(1,651)	471	5,876
Bond interest subsidy	1,622	2,015	2,052	2,167	2,205
Change in fair value of investments	-	-	-	-	-
Capital distributions to localities	(2,005)	(2,422)	(13)	(376)	-
Bond issuance costs	(1,000)	(98)	(311)	(682)	(1,290)
Disposal of capital assets	-	-	-	-	(739)
Interest expense	(33,642)	(27,132)	(25,007)	(25,339)	(26,179)
NET NON-OPERATING EXPENSES	(14,199)	(14,276)	(17,858)	(16,380)	(13,683)
INCOME BEFORE CONTRIBUTIONS	128,210	115,663	105,923	78,600	87,624
CAPITAL CONTRIBUTIONS					
State capital grants	34,183	234	200	-	-
Other capital contributions	12,242	1,641	2,537	2,317	578
CHANGE IN NET POSITION	\$ 174,635	\$ 117,538	\$ 108,660	\$ 80,917	\$ 88,202
NET POSITION					
Net investment in capital assets	\$ 1,110,507	\$ 981,437	\$ 832,427	\$ 776,253	\$ 646,505
Restricted for debt service	22,307	33,830	33,134	30,455	28,155
Restricted for debt service reserve fund	-	-	-	-	-
Unrestricted	218,843	161,755	193,923	144,116	195,247
TOTAL NET POSITION	\$ 1,351,657	\$ 1,177,022	\$ 1,059,484	\$ 950,824	\$ 869,907
Net Revenues Available for Debt Service (GAAP)	218,905	197,264	185,287	157,217	165,925
Add Back: Operating Expenses on Improvements Not Owned by HRSD *	2,005	2,422	13	376	-
Net Revenues Available for Debt Service (Adjusted)	\$ 220,910	\$ 199,686	\$ 185,300	\$ 157,593	\$ 165,925
DEBT SERVICE					
Senior debt	\$ 76,894	\$ 27,624	\$ 24,549	\$ 26,085	\$ 28,595
Subordinate debt	-	38,767	36,468	33,128	30,416
Total Debt Service	\$ 76,894	\$ 66,391	\$ 61,017	\$ 59,213	\$ 59,011
Debt Service Coverage					
Senior Debt Service Coverage (GAAP) **	2.85	7.14	7.55	6.03	5.80
Total Debt Service Coverage (GAAP)	2.85	2.97	3.04	2.66	2.81
Total Debt Service Coverage (Adjusted Cash Basis)	2.87	3.01	3.04	2.66	2.81

* Operating Expenses on Improvements Not Owned by HRSD are funded through HRSD's Capital Improvement Plan from sources which may include cash, debt, grants, and other sources. Such expenses are excluded from the definition of Operating Expenses under the Trust Agreement.

** In fiscal year 2024, HRSD fully discharged all debt previously identified as senior lien obligations. With no debt priority, all debt is now identified as senior obligations. Additional information pertaining to Outstanding Debt can be found in Note 9 to the financial statements.

(Continued)

SCHEDULE OF OPERATING REVENUES, EXPENSES, NET POSITION BY COMPONENT AND DEBT SERVICE EXPENSES LAST TEN FISCAL YEARS

(in thousands)

	2019	2018	2017	2016	2015
OPERATING REVENUES					
Wastewater treatment charges	\$ 299,323	\$ 275,539	\$ 254,961	\$ 234,020	\$ 221,626
Miscellaneous	3,798	3,504	3,669	3,861	3,935
TOTAL OPERATING REVENUES	303,121	279,043	258,630	237,881	225,561
OPERATING EXPENSES					
Wastewater treatment	117,189	116,982	113,100	106,575	114,137
General and administrative	41,121	40,480	40,287	40,026	38,678
Depreciation	53,225	52,349	49,311	45,670	41,871
TOTAL OPERATING EXPENSES	211,535	209,811	202,698	192,271	194,686
OPERATING INCOME	91,586	69,232	55,932	45,610	30,875
NON-OPERATING REVENUES (EXPENSES)					
Wastewater facility charges	6,662	6,673	7,511	6,699	7,428
Investment income	8,719	3,654	2,287	1,563	1,695
Bond interest subsidy	2,308	2,330	2,275	2,399	2,444
Change in fair value of investments	-	(1,382)	(1,119)	750	(286)
Capital distributions to localities	-	(311)	(138)	(3,287)	-
Bond issuance costs	(53)	(1,061)	(42)	(1,713)	(768)
Disposal of capital assets	-	-	-	-	-
Interest expense	(27,964)	(20,226)	(22,630)	(21,631)	(22,958)
NET NON-OPERATING EXPENSES	(10,328)	(10,323)	(11,856)	(15,220)	(12,445)
INCOME BEFORE CONTRIBUTIONS	81,258	58,909	44,076	30,390	18,430
CAPITAL CONTRIBUTIONS					
State capital grants	2,444	2,502	7,462	14,389	16,519
Other capital contributions	374	2,124	1,136	-	3,000
CHANGE IN NET POSITION	\$ 84,076	\$ 63,535	\$ 52,674	\$ 44,779	\$ 37,949
NET POSITION					
Net investment in capital assets	\$ 494,779	\$ 512,398	\$ 428,670	\$ 410,287	\$ 385,597
Restricted for debt service	28,553	27,799	22,701	23,798	22,070
Restricted for debt service reserve fund	-	-	-	-	44,118
Unrestricted	258,373	157,432	202,907	167,519	105,040
TOTAL NET POSITION	\$ 781,705	\$ 697,629	\$ 654,278	\$ 601,604	\$ 556,825
Net Revenues Available for Debt Service (GAAP)	162,447	133,177	117,274	100,228	83,545
Add Back: Operating Expenses on Improvements Not Owned by HRSD *	-	311	138	3,287	-
Net Revenues Available for Debt Service (Adjusted)	\$ 162,447	\$ 133,488	\$ 117,412	\$ 103,515	\$ 83,545
DEBT SERVICE					
Senior debt	\$ 33,592	\$ 36,488	\$ 35,837	\$ 38,198	\$ 43,842
Subordinate debt	28,313	20,633	23,603	17,068	13,091
Total Debt Service	\$ 61,905	\$ 57,121	\$ 59,440	\$ 55,266	\$ 56,933
Debt Service Coverage					
Senior Debt Service Coverage (GAAP)	4.84	3.59	3.10	2.56	1.90
Total Debt Service Coverage (GAAP)	2.62	2.03	1.93	1.77	1.46
Total Debt Service Coverage (Adjusted Cash Basis)	2.62	2.30	2.00	1.85	-

Notes:

FY2016 - HRSD is showing Debt Service Coverage on both a GAAP basis and an Adjusted Cash basis to account for distributions to localities in accordance with its Amended Subordinate Trust Agreement Section 705(a) enacted in March 2016.

FY2018 - HRSD implemented GASB Statement 75 effective July 1, 2017, which requires recording net OPEB assets or liabilities and related deferred outflows and inflows of resources.

FY2019 - HRSD implemented GASB Statement 89 effective July 1, 2018, establishes accounting requirements for interest cost incurred before the end of a construction period.

* Operating Expenses on Improvements Not Owned by HRSD are funded through HRSD's Capital Improvement Plan from sources which may include cash, debt, grants, and other sources. Such expenses are excluded from the definition of Operating Expenses under the Trust Agreement.

**OBJECTIVE CLASSIFICATION OF DEPARTMENTAL EXPENSES
FOR OPERATIONS - LAST TEN FISCAL YEARS**

(in thousands)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Personal Services	\$ 71,682	\$ 65,549	\$ 61,157	\$ 60,250	\$ 59,666	\$ 56,336	\$ 55,160	\$ 53,401	\$ 51,801	\$ 52,357
Fringe Benefits	28,496	23,772	20,467	23,879	21,417	18,235	20,275	19,106	17,974	18,249
Repairs and Maintenance *	27,625	20,174	18,004	21,207	17,419	13,786	16,763	19,933	22,824	31,451
Materials and Supplies	13,728	12,641	9,495	11,413	9,364	9,314	8,865	8,310	7,843	4,343
Transportation	1,776	1,672	1,380	1,100	1,194	1,423	1,271	1,386	1,537	1,297
Utilities	18,045	17,044	13,762	12,947	12,584	12,749	11,968	11,523	11,249	10,503
Chemical Purchases	15,500	13,890	10,044	8,719	8,760	8,746	8,750	8,020	7,512	7,119
Contractual Services	42,257	42,934	41,904	37,278	33,748	32,123	30,165	26,977	21,573	15,127
Miscellaneous Expense	3,045	2,864	2,385	2,685	2,953	2,622	2,509	2,329	1,842	2,880
General **	5,325	2,987	1,210	2,033	2,237	2,976	1,736	2,402	2,446	9,489
Subtotal, Expense before Depreciation	227,479	203,527	179,808	181,511	169,342	158,310	157,462	153,387	146,601	152,815
Depreciation	57,053	54,469	54,357	53,278	51,383	53,225	52,349	49,311	45,670	41,871
Total Operating Expenses	\$ 284,532	\$ 257,996	\$ 234,165	\$ 234,789	\$ 220,725	\$ 211,535	\$ 209,811	\$ 202,698	\$ 192,271	\$ 194,686

Notes:

* Includes Capital Improvement Program items expensed

** Includes bad debt expense

Unaudited – See accompanying independent auditors' report

**RATIOS OF OUTSTANDING DEBT BY TYPE
FOR THE YEARS ENDED JUNE 30, 2015 THROUGH 2024**

As of June 30,	No. Of Service Connections	(in thousands)				Debt Per Service Connection
		Senior	Subordinate		Total	
		Revenue Bonds	Revenue Bonds	Notes Payable	Outstanding Debt	
2024	488,000	\$ 1,317,445	\$ -	\$ 100,000	\$ 1,417,445	\$ 2,905
2023	486,000	166,268	813,474	68,580	1,048,322	2,157
2022	484,000	186,227	682,245	33,721	902,193	1,864
2021	481,000	202,486	632,520	15,299	850,305	1,768
2020	478,000	219,776	615,703	-	835,479	1,748
2019	476,000	326,531	565,098	-	891,629	1,873
2018	473,000	349,313	542,129	-	891,442	1,885
2017	470,000	458,255	388,529	-	846,784	1,802
2016	467,000	476,734	402,560	-	879,294	1,883
2015	465,000	649,202	99,195	-	748,397	1,609

Notes:

Unamortized bond premiums are included in Senior and Subordinate Revenue Bonds.

In fiscal year 2024, HRSD fully discharged all debt previously identified as senior lien obligations. With no debt priority, all debt is now identified as senior obligations. Additional information pertaining to Outstanding Debt can be found in Note 9 to the financial statements.

**RATE SCHEDULE
WASTEWATER TREATMENT CHARGES
LAST TEN FISCAL YEARS**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
<u>Residential - Metered</u>										
Per CCF * (single step)	\$ 7.60	\$ 6.97	\$ 6.39	\$ 5.86	\$ 5.86	\$ 5.37	\$ 4.92	\$ 4.51	\$ 4.13	\$ 3.83
Minimum Charges Per day	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.25	0.25
<u>Residential - Unmetered per 30-day period</u>										
Flat rate accounts	60.00	57.90	52.20	48.64	48.64	34.91	31.98	29.32	26.32	26.32
<u>Non-Residential - Special Category</u>										
Biochemical Oxygen Demand (BOD)										
Per mg/liter per CCF										
Excess over 282 mg/liter	-	-	-	0.000129	0.000129	0.000104	0.000091	0.000206	0.000485	0.000612
Excess over 297 mg/liter	0.000185	0.000185	0.000176	-	-	-	-	-	-	-
Total Suspended Solids (TSS)										
Per mg/liter per CCF										
Excess over 261 mg/liter	-	-	-	0.000630	0.000630	0.000592	0.000520	0.000454	0.000448	0.000417
Excess over 282 mg/liter	0.000612	0.000611	0.000584	-	-	-	-	-	-	-
Total Phosphorus (TP)										
Per mg/liter per CCF										
Excess over 6 mg/liter	-	-	-	0.009871	0.009871	0.009535	0.011569	0.011642	0.004361	0.004344
Excess over 7 mg/liter	0.009258	0.009531	0.010050	-	-	-	-	-	-	-
Total Kjeldahl Nitrogen (TKN)										
Per mg/liter per CCF										
Excess over 47 mg/liter	-	-	-	0.003378	0.003378	0.003595	0.003156	0.001660	0.000917	0.000756
Excess over 57 mg/liter	0.002784	0.002705	0.002660	-	-	-	-	-	-	-
<u>Hauled Wastewater (Indirect Discharge Water)</u>										
Tank Truck Waste (per gallon)	-	-	-	0.1717	0.1717	0.1697	0.1300	0.1366	0.1362	0.1267
Fats, Oils, and Grease (FOG)	0.3517	0.3339	0.2737	-	-	-	-	-	-	-
Other Approved Hauled Wastes	0.1812	0.1812	0.1717	-	-	-	-	-	-	-

Notes:

Rates can be adjusted by the Commission.

Unusual wastes not covered by this schedule may be assigned a special rate.

*CCF = 100 Cubic Feet (Approx. 748 gallons)

Source: HRSD's Yearly Rate Schedule Publications

**RATE SCHEDULE
WASTEWATER FACILITY CHARGES
LAST TEN FISCAL YEARS**

		2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Residential		\$ 2,420	\$ 2,285	\$ 2,055	\$ 1,905	\$ 1,905	\$ 1,895	\$ 1,895	\$ 1,895	\$ 1,895	\$ 1,895
Commercial/Industrial											
Volume based facility charges:											
5/8" Meter		\$ 2,420	\$ 2,285	\$ 2,055	\$ 1,905	\$ 1,905	\$ 1,895	\$ 1,895	\$ 1,895	\$ 1,895	\$ 1,895
3/4" Meter		4,210	4,210	4,210	4,210	4,210	4,830	4,830	4,830	4,830	4,830
1" Meter		7,410	7,410	7,410	7,410	7,410	8,170	8,170	8,170	8,170	8,170
1 1/2" Meter		18,395	17,590	16,645	16,645	16,645	17,260	17,260	17,260	17,260	17,260
2" Meter		35,825	34,415	31,465	30,505	30,505	30,510	30,510	30,510	29,420	29,420
3" Meter		91,665	88,570	80,405	73,810	73,810	70,800	70,800	70,800	67,350	63,600
4" Meter		178,485	173,245	156,530	138,445	138,445	128,660	128,660	128,660	122,400	115,580
6" Meter		456,620	445,910	400,625	336,960	336,960	298,610	298,610	298,610	284,070	268,250
8" Meter		889,185	872,130	780,840	634,710	634,710	542,680	542,680	542,680	516,260	487,510
10" Meter		1,491,070	1,467,435	1,310,665	1,038,525	1,038,525	862,550	862,550	862,550	820,560	774,860
12" Meter		2,274,730	2,244,900	2,001,460	1,554,120	1,554,120	1,259,520	1,259,520	1,259,520	1,198,210	1,131,490
14" Meter		3,251,050	3,215,910	2,863,155	2,186,505	2,186,505	1,734,700	1,734,700	1,734,700	1,650,250	1,558,360
16" Meter		4,429,645	4,390,660	3,904,635	2,940,135	2,940,135	2,289,010	2,289,010	2,289,010	2,177,580	2,056,330
Strength based facility charges: (per permitted pound)											
BOD		-	-	-	-	-	-	-	-	-	728
Excess over 250 mg/liter											
TSS		-	-	-	-	-	-	-	-	-	424
Excess over 250 mg/liter											
TP		-	-	-	-	-	-	-	-	-	8,420
Excess over 6 mg/liter											
TKN		-	-	-	-	-	-	-	-	-	3,812
Excess over 35 mg/liter											

Notes:

One charge per connection.

HRSD eliminated strength based facility charges effective 7/1/2015.

Source: HRSD's Yearly Rate Schedule Publications

MAJOR TREATMENT PLANT OPERATING SUMMARY
LAST TEN FISCAL YEARS
(Average Quantity per Day)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total										
Flow (MGD)	145.8	135.1	132.3	154.4	140.9	152.6	145.2	152.9	155.1	152.2
Influent (1,000 lbs.)										
BOD	273.6	284.4	263.5	269.1	252.4	281.9	285.1	288.2	282.5	286.0
TSS	228.3	253.4	203.4	215.4	226.2	211.4	215.8	215.9	228.8	198.6
TP	6.3	6.4	6.3	6.5	6.6	6.6	6.8	7.0	6.9	8.6
TKN	49.4	50.3	45.0	46.7	47.0	47.6	47.2	46.4	45.7	45.8
Effluent (1,000 lbs.)										
BOD	8.5	8.8	7.4	9.2	8.0	8.2	7.5	8.9	9.8	9.9
TSS	7.8	7.7	6.3	9.0	7.1	7.4	6.7	9.4	9.3	8.9
TP	0.6	0.5	0.5	0.7	0.7	0.8	0.7	0.9	0.9	1.0
TKN	3.7	4.3	5.1	8.1	8.4	8.5	7.3	7.7	8.0	9.8
Army Base Plant										
Flow (MGD)	10.6	8.4	8.2	11.1	10.4	11.1	10.0	9.5	9.6	9.9
Influent (1,000 lbs.)										
BOD	14.3	18.1	17.4	16.6	16.0	16.6	16.3	13.2	13.3	16.4
TSS	12.1	19.0	21.8	19.0	16.9	13.9	14.0	11.7	13.3	12.5
TP	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.3	0.3	0.4
TKN	2.8	2.9	2.9	3.2	3.3	3.3	3.1	2.7	2.7	2.9
Effluent (1,000 lbs.)										
BOD	0.3	0.2	0.2	0.6	0.2	0.3	0.2	0.3	0.3	0.8
TSS	0.4	0.3	0.4	0.9	0.3	0.4	0.3	0.4	0.5	0.6
TP	0.1	0.1	0.0	0.1	0.1	0.0	0.0	0.1	0.1	0.1
TKN	0.2	0.1	0.2	0.2	0.1	0.1	0.1	0.1	0.1	2.1
Atlantic Plant										
Flow (MGD)	44.8	42.8	35.9	27.4	24.5	28.1	26.1	28.2	27.2	30.9
Influent (1,000 lbs.)										
BOD	85.9	85.9	74.4	58.5	49.3	58.2	56.7	53.2	55.6	66.6
TSS	79.5	73.0	51.9	39.6	35.5	39.3	36.6	38.7	38.5	42.9
TP	2.2	2.1	1.8	1.4	1.3	1.4	1.3	1.4	1.4	1.5
TKN	16.9	17.2	15.2	11.4	10.7	11.9	11.2	11.0	10.9	11.4
Effluent (1,000 lbs.)										
BOD	4.3	5.4	3.5	2.9	3.0	2.5	2.4	2.3	2.7	3.0
TSS	3.5	4.7	2.9	2.5	1.5	1.6	1.6	1.9	1.9	2.4
Boat Harbor Plant										
Flow (MGD)	12.0	10.7	11.7	15.2	13.6	15.8	14.2	13.9	15.6	14.4
Influent (1,000 lbs.)										
BOD	16.9	17.8	17.7	20.0	18.4	20.6	19.2	17.4	18.3	20.0
TSS	12.6	12.7	13.2	16.1	16.0	18.0	16.6	15.7	18.1	16.3
TP	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
TKN	3.4	3.5	3.6	3.8	4.0	4.2	3.9	3.8	3.8	3.6
Effluent (1,000 lbs.)										
BOD	0.8	0.6	0.9	1.0	0.6	0.9	0.6	0.6	1.0	0.7
TSS	0.8	0.6	0.7	1.0	0.8	1.0	0.7	0.7	0.9	0.6
TP	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
TKN	1.6	2.5	2.2	2.1	2.0	2.5	1.3	1.2	1.8	2.2

Unaudited – See accompanying independent auditors' report

TREATMENT PLANT OPERATING SUMMARY
LAST TEN FISCAL YEARS
(Average Quantity per Day)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Chesapeake-Elizabeth Plant *										
Flow (MGD)	-	-	10.1	16.8	17.4	17.6	18.7	18.0	16.3	19.1
Influent (1,000 lbs.)										
BOD	-	-	20.2	30.5	38.1	37.2	35.4	35.2	30.2	38.7
TSS	-	-	14.0	23.0	24.6	26.8	26.6	26.1	22.9	26.6
TP	-	-	0.5	0.7	0.8	0.8	0.8	0.8	2.7	0.8
TKN	-	-	4.0	6.1	6.9	6.8	6.6	6.4	5.1	6.7
Effluent (1,000 lbs.)										
BOD	-	-	1.2	2.5	2.2	2.0	2.8	2.3	2.0	2.5
TSS	-	-	0.9	1.9	2.0	1.9	3.2	2.3	1.8	1.9
TP	-	-	0.1	0.1	0.2	0.1	0.2	0.1	0.1	0.1
TKN	-	-	2.0	3.9	4.4	4.1	4.5	4.1	3.6	4.5
* The Chesapeake-Elizabeth Plant was closed December 31, 2021.										
James River Plant										
Flow (MGD)	11.8	12.1	12.7	14.7	12.4	13.9	13.0	12.3	13.2	12.7
Influent (1,000 lbs.)										
BOD	24.1	35.5	24.9	23.1	24.0	25.8	26.8	25.5	24.4	25.7
TSS	18.6	46.4	17.5	18.1	17.4	18.7	19.3	17.4	17.8	18.0
TP	0.5	0.6	0.6	0.6	0.5	0.6	0.6	0.5	0.5	0.5
TKN	4.4	5.2	4.7	5.0	4.7	4.7	4.8	4.3	4.2	4.0
Effluent (1,000 lbs.)										
BOD	0.7	0.6	0.6	0.5	0.5	0.4	0.3	0.4	0.4	0.3
TSS	0.8	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.5	0.4
TP	0.1	0.0	0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.1
TKN	0.5	0.6	0.6	0.5	0.5	0.3	0.4	0.5	0.4	0.4
Nansemond Plant										
Flow (MGD)	16.6	15.3	15.5	17.4	15.9	16.9	17.5	18.8	18.5	16.6
Influent (1,000 lbs.)										
BOD	33.6	30.1	29.9	33.8	32.5	33.0	31.9	40.7	35.8	28.5
TSS	29.1	27.7	25.9	36.0	46.5	37.2	33.4	40.3	38.4	21.9
TP	0.8	0.9	0.8	0.9	1.0	1.0	1.2	1.5	1.5	1.1
TKN	7.0	6.4	6.2	6.8	6.9	6.7	7.1	7.4	7.0	5.6
Effluent (1,000 lbs.)										
BOD	0.7	0.5	0.4	0.6	0.6	0.7	0.7	0.8	0.7	0.8
TSS	0.9	0.8	0.5	0.8	0.6	0.8	0.7	0.8	0.9	0.9
TP	0.2	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2
TKN	0.3	0.3	0.3	0.4	0.3	0.4	0.4	0.5	0.5	0.6
Virginia Initiative Plant										
Flow (MGD)	30.0	24.7	23.5	29.1	26.2	27.6	26.7	30.9	31.7	30.5
Influent (1,000 lbs.)										
BOD	42.4	42.3	39.1	39.4	37.0	40.4	47.5	50.1	50.4	47.5
TSS	32.9	37.3	33.2	31.5	35.4	23.2	30.0	31.3	32.0	30.2
TP	1.0	1.0	1.0	1.0	1.1	0.9	1.0	1.0	1.0	1.1
TKN	7.2	7.2	6.5	6.7	7.1	6.8	7.0	7.3	7.4	7.1
Effluent (1,000 lbs.)										
BOD	1.0	0.9	0.7	0.6	0.5	0.6	0.8	1.2	1.7	1.9
TSS	1.1	0.5	0.4	0.7	1.0	0.7	0.7	1.4	1.9	1.6
TP	0.1	0.1	0.1	0.2	0.1	0.2	0.2	0.2	0.2	0.2
TKN	0.5	0.4	0.3	0.4	0.3	0.4	0.6	0.4	0.7	0.8

Unaudited – See accompanying independent auditors' report

TREATMENT PLANT OPERATING SUMMARY
LAST TEN FISCAL YEARS
(Average Quantity per Day)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Williamsburg Plant										
Flow (MGD)	8.1	8.7	8.3	9.0	8.6	7.7	8.0	8.6	8.4	9.2
Influent (1,000 lbs.)										
BOD	38.2	36.7	33.3	32.5	33.4	32.6	36.1	33.2	34.7	40.4
TSS	27.4	21.5	17.4	18.0	21.2	24.1	19.1	27.9	16.2	19.9
TP	0.6	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.6
TKN	3.7	4.0	3.6	3.7	3.6	3.5	3.3	3.6	3.2	3.3
Effluent (1,000 lbs.)										
BOD	0.4	0.4	0.3	0.4	0.2	0.2	0.2	0.3	0.3	0.3
TSS	0.3	0.2	0.2	0.6	0.2	0.2	0.2	0.3	0.3	0.3
TP	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.1	0.1	0.1
TKN	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.2
York River Plant										
Flow (MGD)	12.0	11.6	11.6	13.9	13.2	12.6	12.6	12.7	12.6	13.2
Influent (1,000 lbs.)										
BOD	18.0	18.0	16.7	14.6	15.8	16.8	16.7	16.3	18.2	17.9
TSS	16.2	15.8	15.5	14.1	15.4	15.0	15.1	16.7	16.9	16.4
TP	0.4	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4
TKN	3.9	3.9	3.8	3.8	3.7	3.6	3.6	3.5	3.5	3.6
Effluent (1,000 lbs.)										
BOD	0.3	0.2	0.1	0.2	0.5	0.3	0.3	0.4	0.4	0.4
TSS	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.1	0.2	0.1
TP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
TKN	0.4	0.3	0.3	0.4	0.3	0.2	0.2	0.3	0.3	0.3

Unaudited – See accompanying independent auditors' report

**TEN LARGEST CUSTOMERS
CURRENT YEAR AND NINE YEARS AGO**

(in thousands)

Customer	Type	2024			2015		
		Annual Billing	Rank	Percent of Wastewater Treatment Revenue	Annual Billing	Rank	Percent of Wastewater Treatment Revenue
U.S. Navy - Norfolk Naval Base	Military Facility	\$ 9,776	1	2.3%	\$ 4,614	1	2.1%
Anheuser - Busch, Inc.	Brewery	4,010	2	0.9%	3,240	3	1.5%
Huntington Ingalls Industries	Shipbuilding	3,001	3	0.7%	1,288	8	0.6%
Norfolk Naval Shipyard	Military Ship Repair	2,963	4	0.7%	1,843	4	0.8%
U.S. Air Force - Langley Air Force Base	Military Facility	2,551	5	0.6%	-	-	-
Joint Expeditionary Base Little Creek-Fort Story	Military Facility	2,519	6	0.6%	1,606	7	0.7%
City of Norfolk	Municipality	2,437	7	0.6%	1,792	5	0.8%
Norfolk Redevelopment & Housing Authority	Housing Authority	2,432	8	0.6%	1,614	6	0.7%
City of Virginia Beach	Municipality	1,964	9	0.5%	1,164	9	0.5%
Oceana Naval Air Station / Dam Neck	Military Facility	1,903	10	0.5%	-	-	-
Smithfield Foods	Meat Processor	-	-	-	3,281	2	1.5%
Sentara Healthcare	Healthcare	-	-	-	1,076	10	0.5%
Total		\$ 33,556		8.0%	\$ 21,518		9.7%

Unaudited – See accompanying independent auditors' report

**TEN LARGEST EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

<u>Employer</u>	<u>Type</u>	2024			2015		
		Number of Employees	Rank	Percent of Regional Employment	Number of Employees	Rank	Percent of Regional Employment
Naval Station Norfolk	Military Facility	82,000	1	9.6%	64,384	1	7.1%
Huntington Ingalls Industries	Shipbuilding and Repair	44,000	2	5.2%	24,000	2	2.6%
Naval Support Activity/ Naval Medical Center	Military Facility	12,300	3	1.4%			
Sentara Healthcare	Health Care Network	11,554	4	1.4%	20,000	4	2.2%
Norfolk Naval Shipyard	Military Ship Repair	12,000	5	1.4%	10,488	7	1.2%
Virginia Beach Public Schools	Public Schools	10,675	6	1.3%	10,000	8	1.1%
Naval Air Station Oceana- Dam Neck	Military Facility	10,227	7	1.2%	16,408	5	1.8%
Joint Base Langley-Eustis	Military Facility	9,000	8	1.1%	21,332	3	2.4%
Riverside Health System	Health Care Network	9,000	9	1.1%	7,050	9	0.8%
Joint Expeditionary Base Little Creek - Fort Story	Military Facility	5,020	10	0.6%	15,666	6	1.7%
Norfolk City Public Schools	Public Schools				6,527	10	0.7%
Total		205,776		24.2%	131,471		6.0%

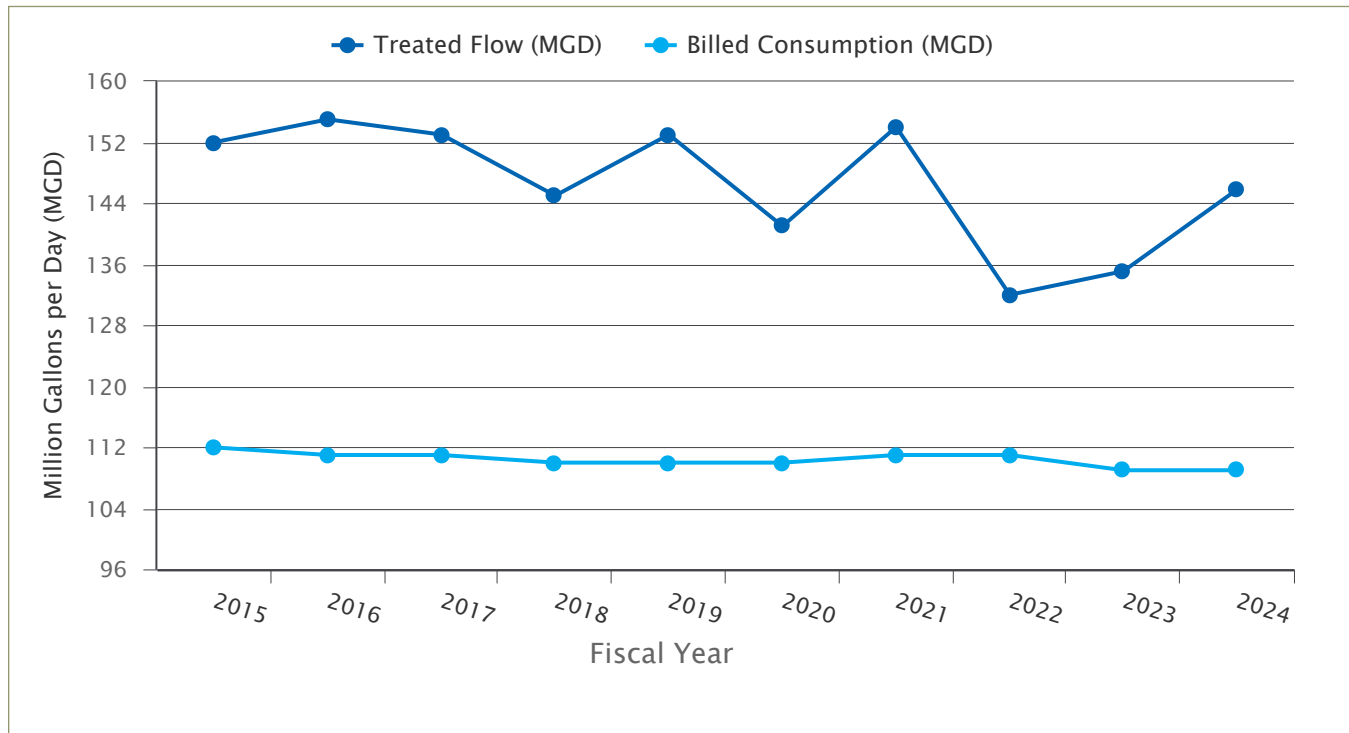
Sources:

Hampton Roads Economic Development Alliance

Hampton Roads PDC

Hampton Roads Business

COMPARISON OF TREATED FLOW TO BILLED FLOW LAST TEN FISCAL YEARS



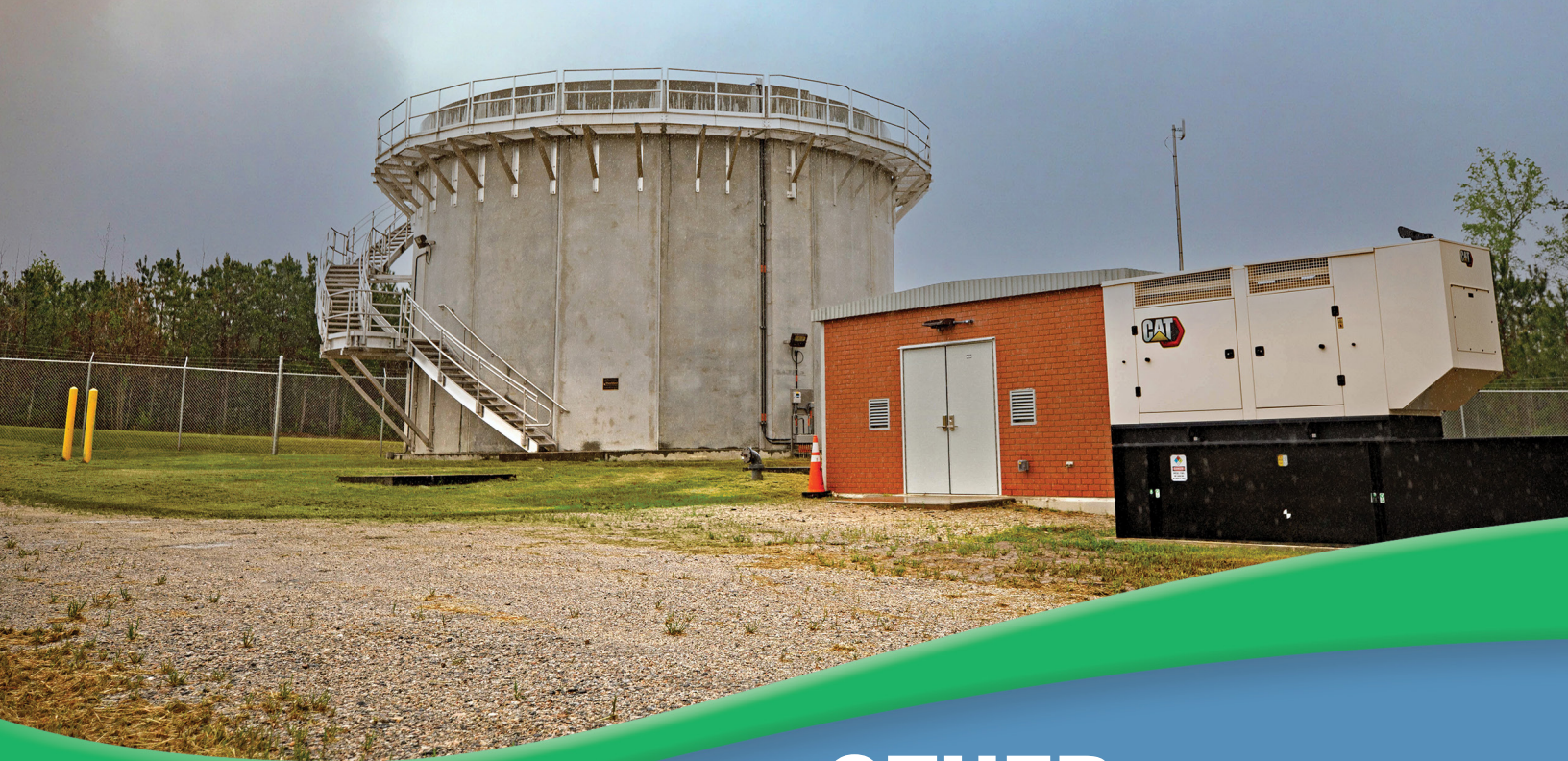
Year ended June 30,	Treated Flow (MGD)	Billed Consumption (MGD)
2015	152	112
2016	155	111
2017	153	111
2018	145	110
2019	153	110
2020	141	110
2021	154	111
2022	132	111
2023	135	109
2024	146	109

Unaudited – See accompanying independent auditors' report

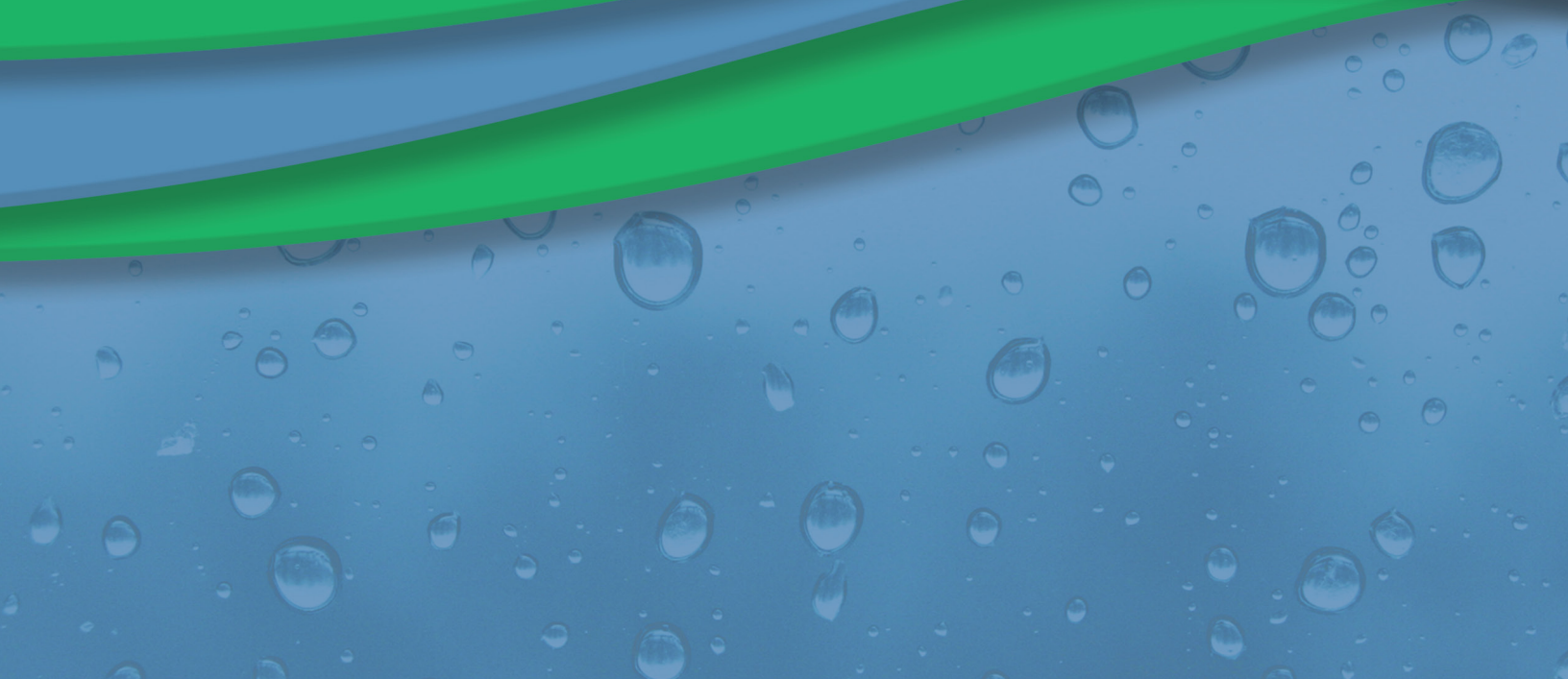
**NUMBER OF EMPLOYEES BY IDENTIFIABLE ACTIVITY
LAST TEN FISCAL YEARS**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
<u>General Management</u>										
General Manager	1	1	1	1	1	1	2	3	3	3
Support Staff	1	1	1	1	1	1	1	1	1	1
Total General Management	2	2	2	2	2	2	3	4	4	4
<u>Communications</u>										
Communications	1	1	1	1	1	1	1	-	-	-
Support Staff	3	3	2	2	2	2	1	-	-	-
Total Communications	4	4	3	3	3	3	2	-	-	-
<u>Talent Management</u>										
Human Resources	6	6	5	6	6	6	6	6	5	5
Safety	5	5	5	4	3	3	3	3	3	-
Training	6	4	4	4	3	3	2	2	2	2
Support Staff	4	3	3	3	4	4	4	4	4	3
Total Talent Management	21	18	17	17	16	16	15	15	14	10
<u>Finance</u>										
Accounting	15	15	15	15	12	12	11	10	10	10
Customer Care Center	64	63	65	71	77	77	77	77	77	69
Procurement	11	11	12	11	10	10	10	10	10	9
Capital Finance	9	9	6	-	-	-	-	-	-	-
Support Staff	6	5	4	5	3	3	3	3	2	3
Total Finance	105	103	102	102	102	102	101	100	99	91
<u>Information Technology</u>										
Information Technology	58	52	49	48	48	43	48	47	45	39
Support Staff	1	2	2	2	2	2	2	1	1	1
Total Information Technology	59	54	51	50	50	45	50	48	46	40
<u>Operations</u>										
Army Base Treatment Plant	31	31	29	32	34	34	34	34	31	32
Atlantic Treatment Plant	36	36	36	37	35	35	35	35	32	33
Boat Harbor Treatment Plant	33	33	34	32	35	35	35	35	32	33
Chesapeake-Elizabeth Treatment Plant	-	-	25	31	32	32	32	32	31	32
Interceptor System Maintenance	111	111	112	121	119	119	118	117	115	120
James River Treatment Plant	24	24	24	24	22	22	22	22	20	21
Maintenance Shops	125	114	112	85	74	73	71	70	83	86
Nansemond Treatment Plant	32	32	30	35	32	32	32	32	30	31
Virginia Initiative Plant	33	33	33	32	34	34	33	33	30	31
Williamsburg Treatment Plant	30	30	28	28	29	29	29	29	28	29
York River Treatment Plant	24	24	23	23	24	24	24	24	22	23
Small Communities Division	33	29	27	23	23	23	23	23	21	17
Technology	5	-	-	-	-	-	-	-	-	-
Support Staff	20	27	20	23	23	23	23	23	24	25
Total Operations	537	524	533	526	516	515	511	509	499	513
<u>Engineering</u>										
Design and Construction	57	51	43	31	31	30	26	25	25	21
Support Staff	2	2	2	13	13	13	13	14	14	14
Total Engineering	59	53	45	44	44	43	39	39	39	35
<u>Water Quality</u>										
Pretreatment & Pollution Prevention	28	27	27	27	28	27	27	26	26	25
Technical Services	39	35	34	36	34	31	31	29	28	25
Laboratory	52	53	52	50	47	47	46	45	42	40
Support Staff	4	5	6	5	5	5	5	6	6	6
Total Water Quality	123	120	119	118	114	110	109	106	102	96
Total Employees	910	878	872	862	847	836	830	821	803	789

Unaudited – See accompanying independent auditors' report



**OTHER
SUPPLEMENTAL
SECTION
(UNAUDITED)**





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INDEX TO OTHER SUPPLEMENTAL SECTION

ANNUAL COMPREHENSIVE FINANCIAL REPORT / HAMPTON ROADS SANITATION DISTRICT

In accordance with Governmental Accounting Standards Board, the following information is required to accompany the Basic Financial Statements.

Contents

Page

Debt Service

96

This schedule presents information pertaining to HRSD's primary bonded debt service. It covers both senior and subordinate debt service payments projected for fiscal years ending from June 30, 2025 through June 30, 2060.

Budgetary Information

97

These schedules contain information about HRSD's budget and resources to help the reader understand HRSD's budgeting process.

Unaudited – See accompanying independent auditors' report

SUMMARY OF PRIMARY BONDED DEBT SERVICE
June 30, 2024

(in thousands)		Senior Bonds - Excluding Bond Premium and LOC		
As of June 30,		Principal	Interest	Debt Service
2025	\$	100,044	\$ 26,817	\$ 126,861
2026		51,039	25,633	76,672
2027		52,266	24,292	76,558
2028		50,195	22,937	73,132
2029		51,557	24,846	76,403
2030		52,860	23,363	76,223
2031		54,784	21,979	76,763
2032		51,428	20,559	71,987
2033		51,287	18,859	70,146
2034		51,023	17,511	68,534
2035		51,625	16,235	67,860
2036		47,325	14,717	62,042
2037		48,809	13,338	62,147
2038		49,787	12,172	61,959
2039		36,251	10,760	47,011
2040		28,358	9,740	38,098
2041		20,506	9,112	29,618
2042		19,980	8,714	28,694
2043		17,290	8,321	25,611
2044		14,623	7,928	22,551
2045		8,753	7,665	16,418
2046		8,820	7,480	16,300
2047		6,885	5,872	12,757
2048		9,893	5,437	15,330
2049		10,147	5,244	15,391
2050		14,712	5,030	19,742
2051		22,894	4,734	27,628
2052		26,484	4,337	30,821
2053		30,181	3,887	34,068
2054		36,032	3,376	39,408
2055		34,599	2,803	37,402
2056		34,208	2,251	36,459
2057		33,152	1,703	34,855
2058		51,901	1,169	53,070
2059		42,744	652	43,396
2060		21,881	208	22,089
Total	\$	1,294,323	\$ 399,681	\$ 1,694,004

Unaudited – See accompanying independent auditors' report

BUDGETARY COMPARISON SCHEDULE **June 30, 2024**

(in thousands)

(in thousands)

	Budget			Variance Favorable/ (Unfavorable)	Percent
	Adopted	Amended	Actual	Amended Budget	Variance
OPERATING BUDGET EXPENSES					
General Management	\$ 538	\$ 639	\$ 621	\$ 18	2.8%
Communications	600	775	721	54	7.0%
Finance	17,365	17,952	17,065	887	4.9%
Information Technology	18,642	20,800	18,320	2,480	11.9%
Talent Management	3,071	3,446	3,158	288	8.4%
Operations	134,937	145,341	129,602	15,739	10.8%
Engineering	9,206	10,102	8,803	1,299	12.9%
Water Quality	18,299	19,357	17,949	1,408	7.3%
General	3,605	4,971	6,844	(1,873)	(37.7%)
Debt Service - Including COI	76,750	76,750	82,555	(5,805)	(7.6%)
TOTAL	283,013	300,133	285,638	\$ 14,495	4.8%
Transfer to CIP	145,217	145,217			
Transfer to Risk Management	260	260			
	\$ 428,490	\$ 445,610			
Add:					
Unbudgeted Depreciation and Amortization			57,053		
Unbudgeted Bad Debt Expense			5,325		
Capital Improvement Program Items Expensed			23,250		
Less:					
Capitalized Assets			2,174		
Debt Service			82,555		
Capital Distributions to Localities			2,005		
TOTAL OPERATING EXPENSES			\$ 284,532		

Unaudited – See accompanying independent auditors' report

NOTES TO BUDGETARY COMPARISON SCHEDULE JUNE 30, 2024

BUDGETARY HIGHLIGHTS

HRSD's Commission adopts an Annual Operating Budget that contains the day-to-day operating expenses of the District. The Operating Budget as adopted for FY 2024 was \$428,490,000 and contains personnel costs, fringe benefits, material and supplies, electricity, chemicals, insurance, contractual services, debt service and other miscellaneous expenses. There were several modifications to the Operating Budget during the year to reflect changes in spending patterns. All amendments to the Annual Budget were from encumbrances carried forward or from transfers within or among departments.

NOTE 1 – BUDGETARY ACCOUNTING AND CONTROL Budget Preparation

HRSD prepares its Annual Budget under the provisions of its enabling legislation, used to establish rates, fees and other charges, and the Trust Agreement. In accordance with those provisions, the following process is used to adopt the Annual Budget.

The process begins in late December with the issuance of the Annual Budget Instructions by the General Manager. Each department completes its Operating and Improvement Budgets by March 1 for the General Manager's review.

The HRSD Commission appoints a Finance Committee consisting of three Commissioners. The three Commissioners meet in early April to review the Budgets, which are presented by staff at the April Commission meeting. HRSD's Commission reviews these budgets at that meeting.

The final Annual Budget, which incorporates the Operating and Capital Budgets, is presented at the May Commission meeting for adoption. The Commission simultaneously adopts the budget and any resulting wastewater rate schedule. All rate adjustments must be publicly advertised four consecutive weeks before they can take effect.

The HRSD Commission approves any budget amendments during the ensuing year.

HRSD's Trust Agreement requires the adjusted debt service coverage ratio to be a minimum of 1.2 times annual debt service. The HRSD Commission has a policy of maintaining adjusted debt service coverage ratios of not less than 1.4 times annual debt service. HRSD's operating and capital improvement plans were developed with the intent to maintain coverage ratios in excess of this requirement.

Budget Accounting

The Annual Budget is prepared on a basis of accounting generally consistent with accounting principles generally accepted in the United States of America. No provision is provided, however, for non-cash items such as depreciation and bad debt expense and principal payments on outstanding debt are considered an operating expense. The FY 2024 Annual Budget consists of two parts: an operating budget that covers day-to-day operations and a capital budget that identifies all major capital project requirements over the next 10 years. All operating budget amounts lapse at year-end. Funds for the capital budget are appropriated throughout the fiscal year on a project basis and continue until the purpose of the project has been fulfilled.

**SCHEDULE OF REVENUES, EXPENSES AND
DEBT SERVICE FOR OPERATIONS - ACTUAL TO BUDGET
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

(in thousands)

	Actual	Amended Budget	Variance Favorable/ (Unfavorable)	Budget Variance Percentage
OPERATING REVENUES				
Wastewater Treatment Charges	\$ 422,784	\$ 411,501	\$ 11,283	3%
Miscellaneous	4,157	1,470	2,687	183%
TOTAL OPERATING REVENUES	426,941	412,971	13,970	1%
CURRENT EXPENSES				
General Management	621	639	18	3%
Communications	721	775	54	7%
Finance	17,065	17,952	887	5%
Information Technology	18,320	20,800	2,480	12%
Talent Management	3,158	3,446	288	8%
Operations	129,602	145,341	15,739	11%
Engineering	8,803	10,102	1,299	13%
Water Quality	17,949	19,357	1,408	7%
General	6,844	4,971	(1,873)	(38%)
TOTAL CURRENT EXPENSES	203,083	223,383	20,300	9%
EXCESS OF OPERATING REVENUES OVER EXPENSES	223,858	189,588	34,270	18%
NON-OPERATING REVENUES				
Wastewater Facility Charge	7,153	6,095	1,058	17%
Interest Income	13,673	3,000	10,673	356%
Bond Interest Subsidy	1,622	1,954	(332)	(17%)
TOTAL NON-OPERATING REVENUES	22,448	11,049	11,399	103%
INCOME BEFORE CAPITAL CONTRIBUTIONS	246,306	200,637	45,669	23%
CAPITAL CONTRIBUTIONS				
Other Capital Contributions	46,425	-	46,425	100%
AMOUNT AVAILABLE FOR DEBT	292,731	200,637	92,094	46%
DEBT SERVICE				
Principal and Interest	81,555	76,150	(5,405)	(7%)
Cost of Issuance	1,000	600	(400)	(67%)
TOTAL DEBT SERVICE	82,555	76,750	(5,805)	(8%)
AMOUNT AVAILABLE TO REINVEST	\$ 210,176	\$ 123,887	\$ 86,289	70%

Unaudited – See accompanying independent auditors' report

**OBJECTIVE CLASSIFICATION OF DEPARTMENTAL EXPENSES
FOR OPERATIONS - ACTUAL TO BUDGET
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

(in thousands)

	General Management	Communications	Finance	Information Technology	Talent Management	Operations
Personal Services	\$ 389	\$ 425	\$ 7,446	\$ 6,205	\$ 1,818	\$ 41,667
Fringe Benefits	88	136	2,901	1,973	630	16,834
Materials & Supplies	4	82	76	1,539	82	10,106
Transportation	12	14	24	13	21	1,621
Utilities	-	-	257	1,696	-	15,388
Chemical Purchases	-	-	-	-	-	15,500
Contractual Services	108	48	6,168	5,382	419	20,204
Major Repairs	-	-	-	559	-	5,763
Capital Assets	-	-	-	705	-	1,469
Miscellaneous Expense	20	16	193	248	188	1,050
	<u>\$ 621</u>	<u>\$ 721</u>	<u>\$ 17,065</u>	<u>\$ 18,320</u>	<u>\$ 3,158</u>	<u>\$ 129,602</u>

Unaudited – See accompanying independent auditors' report

**OBJECTIVE CLASSIFICATION OF DEPARTMENTAL EXPENSES
FOR OPERATIONS - ACTUAL TO BUDGET
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

(in thousands)

	Engineering	Water Quality	General	Total	Percent of Total	Amended Budget	Variance Favorable/ (Unfavorable)
Personal Services	\$ 5,707	\$ 9,694	\$ (1,669)	\$ 71,682	25%	\$ 70,450	\$ (1,232)
Fringe Benefits	1,898	3,887	149	28,496	10%	28,488	(8)
Materials & Supplies	41	1,779	19	13,728	5%	16,073	2,345
Transportation	34	37	-	1,776	1%	2,004	228
Utilities	-	1	703	18,045	6%	16,843	(1,202)
Chemical Purchases	-	-	-	15,500	5%	17,689	2,189
Contractual Services	885	2,060	6,983	42,257	15%	53,541	11,284
Major Repairs	-	59	-	6,381	2%	13,697	7,316
Capital Assets	-	-	-	2,174	1%	1,259	(915)
Miscellaneous Expense	238	432	659	3,044	1%	3,339	295
	<u>\$ 8,803</u>	<u>\$ 17,949</u>	<u>\$ 6,844</u>	<u>\$ 203,083</u>	<u>71%</u>	<u>\$ 223,383</u>	<u>\$ 20,300</u>
Debt Service							
Principal and Interest				81,555	29%	76,150	(5,405)
Cost of Issuance				1,000	0%	600	(400)
Total Debt Service				<u>\$ 82,555</u>	<u>29%</u>	<u>\$ 76,750</u>	<u>\$ (5,805)</u>
Total Department and Debt Service				<u>\$ 285,638</u>	<u>100%</u>	<u>\$ 300,133</u>	<u>\$ 14,495</u>

Unaudited – See accompanying independent auditors' report

**DEPARTMENT SUMMARY OF EXPENSES
ACTUAL TO BUDGET
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

(in thousands)

	Actual	Amended Budget	Variance Favorable/ (Unfavorable)
General Management			
Personal Services	\$ 389	\$ 373	\$ (16)
Fringe Benefits	88	92	4
Materials & Supplies	4	10	6
Transportation	12	12	-
Contractual Services	108	121	13
Miscellaneous Expense	20	31	11
	<u>621</u>	<u>639</u>	<u>18</u>
Communications			
Personal Services	425	401	(24)
Fringe Benefits	136	135	(1)
Materials & Supplies	82	98	16
Transportation	14	14	-
Contractual Services	48	123	75
Miscellaneous Expense	16	4	(12)
	<u>721</u>	<u>775</u>	<u>54</u>
Finance			
Personal Services	7,446	7,822	376
Fringe Benefits	2,901	3,104	203
Materials & Supplies	76	103	27
Transportation	24	23	(1)
Utilities	257	302	45
Contractual Services	6,168	6,285	117
Major Repairs	-	5	5
Miscellaneous Expense	193	308	115
	<u>17,065</u>	<u>17,952</u>	<u>887</u>
Information Technology			
Personal Services	6,205	6,506	301
Fringe Benefits	1,973	2,086	113
Materials & Supplies	1,539	1,801	262
Transportation	13	23	10
Utilities	1,696	1,458	(238)
Contractual Services	5,382	6,767	1,385
Major Repairs	559	1,800	1,241
Capital Assets	705	-	(705)
Miscellaneous Expense	248	359	111
	<u>18,320</u>	<u>20,800</u>	<u>2,480</u>

(Continued)

**DEPARTMENT SUMMARY OF EXPENSES
ACTUAL TO BUDGET
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

(in thousands)

	Actual	Amended Budget	Variance Favorable/ (Unfavorable)
Talent Management			
Personal Services	\$ 1,818	\$ 1,942	\$ 124
Fringe Benefits	630	692	62
Materials & Supplies	82	79	(3)
Transportation	21	15	(6)
Contractual Services	419	365	(54)
Miscellaneous Expense	188	353	165
	<u>3,158</u>	<u>3,446</u>	<u>288</u>
Operations			
Personal Services	41,667	42,081	414
Fringe Benefits	16,834	16,943	109
Materials & Supplies	10,106	11,798	1,692
Transportation	1,621	1,850	229
Utilities	15,388	14,503	(885)
Chemical Purchases	15,500	17,689	2,189
Contractual Services	20,204	26,257	6,053
Major Repairs	5,763	11,849	6,086
Capital Assets	1,469	1,259	(210)
Miscellaneous Expense	1,050	1,112	62
	<u>129,602</u>	<u>145,341</u>	<u>15,739</u>
Engineering			
Personal Services	5,707	5,774	67
Fringe Benefits	1,898	1,963	65
Materials & Supplies	41	35	(6)
Transportation	34	26	(8)
Contractual Services	885	2,070	1,185
Miscellaneous Expense	238	234	(4)
	<u>8,803</u>	<u>10,102</u>	<u>1,299</u>
Water Quality			
Personal Services	9,694	9,790	96
Fringe Benefits	3,887	3,821	(66)
Materials & Supplies	1,779	2,123	344
Transportation	37	41	4
Utilities	1	3	2
Contractual Services	2,060	2,920	860
Major Repairs	59	43	(16)
Miscellaneous Expense	432	616	184
	<u>17,949</u>	<u>19,357</u>	<u>1,408</u>
General			
Personal Services	(1,669)	(4,239)	(2,570)
Fringe Benefits	149	(348)	(497)
Materials & Supplies	19	26	7
Utilities	703	577	(126)
Contractual Services	6,983	8,633	1,650
Miscellaneous Expense	659	322	(337)
	<u>6,844</u>	<u>4,971</u>	<u>(1,873)</u>
TOTAL DEPARTMENTAL EXPENSES	<u>\$ 203,083</u>	<u>\$ 223,383</u>	<u>\$ 20,300</u>

Unaudited – See accompanying independent auditors' report



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Virginia Beach, VA 23455
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APPENDIX B

PROPOSED OPINION OF BOND COUNSEL

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APPENDIX B

PROPOSED OPINION OF BOND COUNSEL

July 24, 2025

Hampton Roads Sanitation District Commission
Virginia Beach, Virginia

We have examined Chapter 66 of the Acts of Assembly of Virginia of 1960, as amended (the “Act”), and certified copies of the proceedings of the Hampton Roads Sanitation District Commission (the “Commission”), the governing body of Hampton Roads Sanitation District (a political subdivision of the Commonwealth of Virginia and herein sometimes called the “District”), authorizing the issuance of the below-captioned bonds (the “Bonds”) pursuant to a resolution adopted by the Commission on May 27, 2025 (the “Bond Resolution”).

\$223,860,000
HAMPTON ROADS SANITATION DISTRICT
Subordinate Wastewater Revenue Bonds,
Series 2025A

Pursuant to the Bond Resolution, the Bonds are issued as Subordinate Obligations, within the meaning of the Trust Agreement, dated as of October 1, 2011, as amended and restated as of March 1, 2016, as amended, and as further amended and restated as of July 1, 2024, as supplemented (the “Trust Agreement”), between the District and The Bank of New York Mellon Trust Company, N.A., as trustee (in such capacity, the “Trustee”), and are expressly subordinate and junior to the Lien on Net Revenues (each as defined in the Trust Agreement) created pursuant to the Trust Agreement in favor of Senior Obligations (as defined in the Trust Agreement) of the District.

For purposes of the opinions in paragraphs 1, 2 and 3 below, we have relied upon the opinion of Sands Anderson PC to the effect that the Bond Resolution was duly adopted.

We have also examined one of the Bonds, as executed and authenticated.

Based upon such examination, we are of the opinion that:

1. The Bonds have been duly authorized, executed and issued to provide interim, short-term financing for certain improvements included as part of the District’s Capital Improvement Program and to pay certain costs of issuing the Bonds.

2. The Bonds are special subordinate obligations of the District payable solely from the Net Revenues, on a subordinate and junior basis to Senior Obligations of the District secured under the Trust Agreement, and any other funds available for such purpose. The Bonds not constitute a debt of the Commonwealth of Virginia or of any county, city, town or political subdivision thereof, or a pledge of the faith and credit of the Commonwealth of Virginia or of any county, city, town or political subdivision thereof. The issuance of the Bonds does not directly or indirectly or contingently obligate the Commonwealth of Virginia or any county, city, town or political subdivision thereof to levy or to pledge any form of taxation whatever therefor.

3. Assuming continuing compliance by the District with its covenants to comply with the requirements of the Internal Revenue Code of 1986, as amended (the “Code”), and except as provided in the following sentence, interest on the Bonds is not includable in the gross income of the owners thereof for federal income tax purposes under current law. Interest on the Bonds will be includable in the gross income of the owners thereof retroactive to the date of issue of the Bonds in the event of a failure by the District to comply with applicable requirements of the Code and its covenants regarding use, expenditure, and investment of the proceeds of the Bonds and the timely payment of certain investment earnings to the United States Treasury, and we render no opinion as to the effect on the exclusion from gross income of the interest on the Bonds for federal income tax purposes of any action taken or not taken without our approval or upon the advice or approval of counsel other than us.

4. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax on individuals.

5. As provided by the Act, the Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, shall be free and exempt from taxation by the Commonwealth of Virginia and any political subdivision thereof.

The Code contains other provisions that could result in tax consequences, as to which we render no opinion, as a result of ownership of the Bonds or the inclusion in certain computations (including without limitation those related to the corporate alternative minimum tax) of interest that is excluded from gross income.

The enforceability of the Bonds and the obligations of the District with respect thereto are subject to applicable bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors’ rights generally and to general principles of equity (regardless of whether enforcement is sought in proceedings in equity or law).

Respectfully submitted,

APPENDIX C

**FORM OF
CONTINUING DISCLOSURE AGREEMENT**

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APPENDIX C
FORM OF
CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Disclosure Agreement”), dated as of July 24, 2025, is executed and delivered by Hampton Roads Sanitation District (the “District”) in connection with the issuance by the District of its Subordinate Wastewater Revenue Bonds, Series 2025A (the “Bonds”), pursuant to the provisions of a resolution adopted on May 27, 2025 (the “Resolution”), by the Hampton Roads Sanitation District Commission, the District’s governing body. The proceeds of the Bonds are being used by the District to provide funds to finance certain improvements included as part of the District’s Capital Improvement Program. The District hereby covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District for the benefit of the holders of the Bonds and in order to assist the Participating Underwriters (defined below) in complying with the Rule (defined below). The District acknowledges that it is undertaking primary responsibility for any reports, notices or disclosures that may be required under this Disclosure Agreement.

SECTION 2. Definitions. The following capitalized terms in this Disclosure Agreement shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Dissemination Agent” shall mean the District, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“Filing Date” shall have the meaning given to such term in Section 3(A) hereof.

“Financial Obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that “financial obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“Fiscal Year” shall mean the twelve-month period at the end of which financial position and results of operations are determined. Currently, the District’s Fiscal Year begins July 1 and continues through June 30 of the next calendar year.

“Holder” or “holder” shall mean, for purposes of this Disclosure Agreement, any person who is a record owner or beneficial owner of a Bond.

“Listed Events” shall mean any of the events listed in subsection (b)(5)(i)(C) of the Rule, which are as follows:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;

- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) modifications to rights of security holders, if material;
- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the District;
- (xiii) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and appointment of a successor or additional paying agent or the change of name of a paying agent, if material;
- (xiv) appointment of a successor or additional paying agent or the change of name of a paying agent, if material;
- (xv) incurrence of a Financial Obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders, if material; and
- (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

For these purposes, (a) any event described in the immediately preceding paragraph (xii) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the District in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or

jurisdiction over substantially all of the assets or business of the District, and (b) the District intends the words used in the immediately preceding paragraphs (xv) and (xvi) and the definition of Financial Obligation in this Section 2 to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

“MSRB” means the Municipal Securities Rulemaking Board.

“Participating Underwriters” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of such Bonds.

“Repository” shall mean The Electronic Municipal Market Access (“EMMA”) system administered by the Municipal Securities Rulemaking Board. EMMA is recognized as a National Repository for purposes of the Rule.

“Rule” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

A. The District shall, or shall cause the Dissemination Agent to, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Such Annual Report shall be filed on a date (the “Filing Date”) that is not later than December 31 after the end of any Fiscal Year (commencing with its Fiscal Year ended June 30, 2025). Not later than ten (10) days prior to the Filing Date, the District shall provide the Annual Report to the Dissemination Agent (if applicable). In such case, the Annual Report (i) may be submitted as a single document or as separate documents comprising a package, (ii) may cross-reference other information as provided in Section 4 of this Disclosure Agreement and (iii) shall include the District’s audited financial statements or, if audited financial statements are not available, such unaudited financial statements as may be required by the Rule. In any event, audited financial statements of the District must be submitted, if and when available, together with or separately from the Annual Report.

B. The annual financial statements of the District shall be prepared on the basis of generally accepted accounting principles and will be audited. Copies of the audited annual financial statements, which may be filed separately from the Annual Report, will be filed with the Repository when they become publicly available.

C. If the District fails to provide an Annual Report to the Repository by the date required in subsection A hereto or to file its audited annual financial statements with the Repository when they become publicly available, the District shall send a notice to the Repository in substantially the form attached hereto as Exhibit B.

SECTION 4. Content of Annual Reports. Except as otherwise agreed, any Annual Report required to be filed hereunder shall contain or incorporate by reference, at a minimum, annual financial information relating to the District, including operating data, updating such information relating to the District as described in Exhibit A, all with a view toward assisting the Participating Underwriters in complying with the Rule.

Any or all of such information may be incorporated by reference from other documents, including official statements of securities issues with respect to which the District is an “obligated person” (within the meaning of the Rule), which have been filed with the Repository or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available

from the Repository. The District shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Listed Events. The District will provide within ten business days to the Repository, notice of any of the Listed Events.

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Agreement shall terminate upon the earlier to occur of the legal defeasance and final retirement of all the Bonds.

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the District shall be the Dissemination Agent.

SECTION 8. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the District may amend this Disclosure Agreement, if such amendment is supported by an opinion of independent counsel with expertise in federal securities laws, to the effect that such amendment is permitted or required by the Rule.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. Any person referred to in Section 12 (other than the District) may take such action as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to file its Annual Report or to give notice of a Listed Event. The holders of not less than a majority in aggregate principal amount of Bonds Outstanding may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to challenge the adequacy of any information provided pursuant to this Disclosure Agreement, or to enforce any other obligation of the District hereunder. A default under this Disclosure Agreement shall not be deemed an event of default under the Resolution or the Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of the District to comply herewith shall be an action to compel performance. Nothing in this provision shall be deemed to restrict the rights or remedies of any holder pursuant to the Securities Exchange Act of 1934, the rules and regulations promulgated thereunder, or other applicable laws.

SECTION 11. Format of Filings. Unless otherwise required by the Repository, all notice, documents and information provided to the Repository pursuant to this Disclosure Agreement shall be provided to EMMA, the current Internet address of which is www.emma.msrb.org. All notices, documents and information provided to the EMMA shall be provided in an electronic format prescribed by the Repository (currently, portable document format (pdf) which must be word-searchable except for non-textual elements) and shall be accompanied by identifying information as prescribed by the Repository.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, the Participating Underwriters and the holders from time to time of the Bonds, and shall create no rights in any other person or entity.

HAMPTON ROADS SANITATION DISTRICT

By: _____
Deputy General Manager and
Chief Financial Officer

**CONTENT OF ANNUAL REPORT
HAMPTON ROADS SANITATION DISTRICT**

(a) **Financial Information.** Updated information including summary financial results, treatment charge collection rate, revenue collections from the District's largest customers, and a five-year comparison of revenues, expenses, debt service and debt service coverage ratios.

(b) **Debt Information.** Updated information including the debt service requirements of long-term indebtedness.

(c) **Operating Data.** Updated operating data including wastewater flows to the Wastewater System and its major treatment plants, the treatment capacities of its major treatment plants, total billed wastewater flows, and changes in rates and charges.

In general, the foregoing will include information as of the end of the most recent fiscal year or as of the most recent practicable date. Where information for the fiscal year just ended is provided, it may be preliminary and unaudited. Where information has historically been provided for more than a single period, comparable information will in general be provided for the same number of periods where valid and available. Where comparative demographic or economic information for the District and the United States as a whole is contemporaneously available and, in the judgment of the District, informative, such information may be included. Where, in the judgment of the District, an accompanying narrative is required to make data presented not misleading, such narrative will be provided.

**NOTICE OF FAILURE TO FILE ANNUAL REPORT
[AUDITED ANNUAL FINANCIAL STATEMENTS]**

**Re: HAMPTON ROADS SANITATION DISTRICT
SUBORDINATE WASTEWATER REVENUE BONDS,
SERIES 2025A**

CUSIP NO.: 409327 MW0

Bonds Dated: July 24, 2025

NOTICE IS HEREBY GIVEN that Hampton Roads Sanitation District has not provided an Annual Report [Audited Annual Financial Statements] as required by Section 3 of the Continuing Disclosure Agreement, which was entered into in connection with the above-named bonds, the proceeds of which were used to provide short-term interim financing for certain improvements included as part of the District's Capital Improvement Program. [The District anticipates that the Annual Report [Audited Annual Financial Statements] will be filed by _____.]

Dated: _____

HAMPTON ROADS SANITATION DISTRICT

By _____

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APPENDIX D

THE DEPOSITORY TRUST COMPANY

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APPENDIX D

THE DEPOSITORY TRUST COMPANY

The Depository Trust Company (DTC), the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provision of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2025A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2025A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2025A Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2025A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2025A Bonds, except if use of the book-entry system for the Series 2025A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2025A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2025A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2025A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2025A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial

Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2025A Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2025A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the Series 2025A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

