

# ANNUAL COMPREHENSIVE FINANCIAL REPORT



**For the Fiscal Years Ended June 30, 2025 and 2024**

Hampton Roads Sanitation District  
[A Component Unit of the Commonwealth of Virginia]





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# HAMPTON ROADS SANITATION DISTRICT

A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT  
FOR THE FISCAL YEARS ENDED JUNE 30, 2025 AND 2024

PREPARED BY THE FINANCE DIVISION



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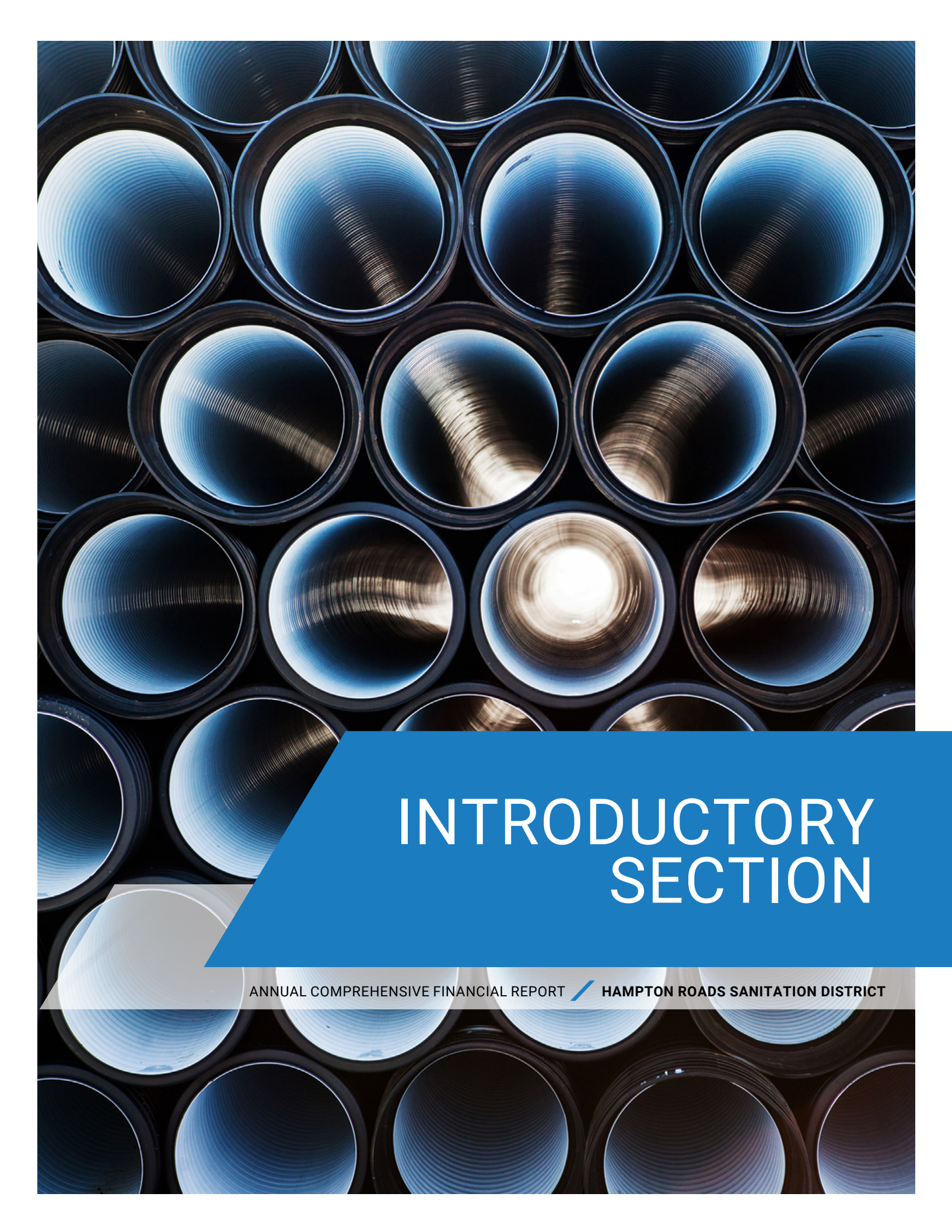
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# INTRODUCTORY SECTION

ANNUAL COMPREHENSIVE FINANCIAL REPORT / HAMPTON ROADS SANITATION DISTRICT



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October 29, 2025

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, 2025. 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 fiscal year ended June 30, 2025. 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. HRSD provides service and bills to approximately 494,000 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/Chief Executive Officer, who appoints the executive 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 138.4 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 92 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 47 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 Chesapeake and Norfolk 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 2025.

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 7.4 percent of wastewater revenues for fiscal year 2025. In addition, HRSD's 2025 revenues contained only limited reliance (1.4 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, 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 \$3.4 billion, 10 year Capital Improvement Program. Regulatory requirements to reduce nutrient discharges and Clean Water Act compliance initiatives to ensure that appropriate wet weather capacity exists within the regional sanitary sewer system, major treatment plant upgrades, and replacements of interceptor pipelines drive the capital program. Most significantly, major projects are currently under construction at the James River, Boat Harbor and Nansemond treatment plants in support of HRSD'S Sustainable Water Initiative for Tomorrow (SWIFT) program, an innovative water treatment system designed to ensure a sustainable source of groundwater while addressing environmental challenges such as Chesapeake Bay restoration, sea level rise and saltwater intrusion. 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, 2024. This was the 42<sup>nd</sup> 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 staff in the Finance Division. All members of the division 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, 2024

*Christopher P. Merrill*

Executive Director/CEO

## Principal Officials

June 30, 2025

### **COMMISSIONERS**

Stephen C. Rodriguez, Chair

Willie Levenston, Jr., Vice-Chair

Frederick N. Elofson, CPA

Michael E. Glenn

Vishnu K. Lakdawala, PhD

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 and Chief Executive Officer

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

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

Charles B. Bott, PhD, PE, BCEE  
Chief Technology Officer

Mary H. Corby  
Chief Information Officer

Bruce W. Husselbee, PhD,  
PE, DBIA  
Chief Engineer

Brends Matesig  
PHR, PSHRA-SCP, SHRM-SCP  
Acting Chief People Officer

Jamie Heisig-Mitchell  
Chief of Water Quality

Leila E. Rice, APR  
Chief Communications Officer

### **COUNSEL, ADVISOR, TRUSTEE**

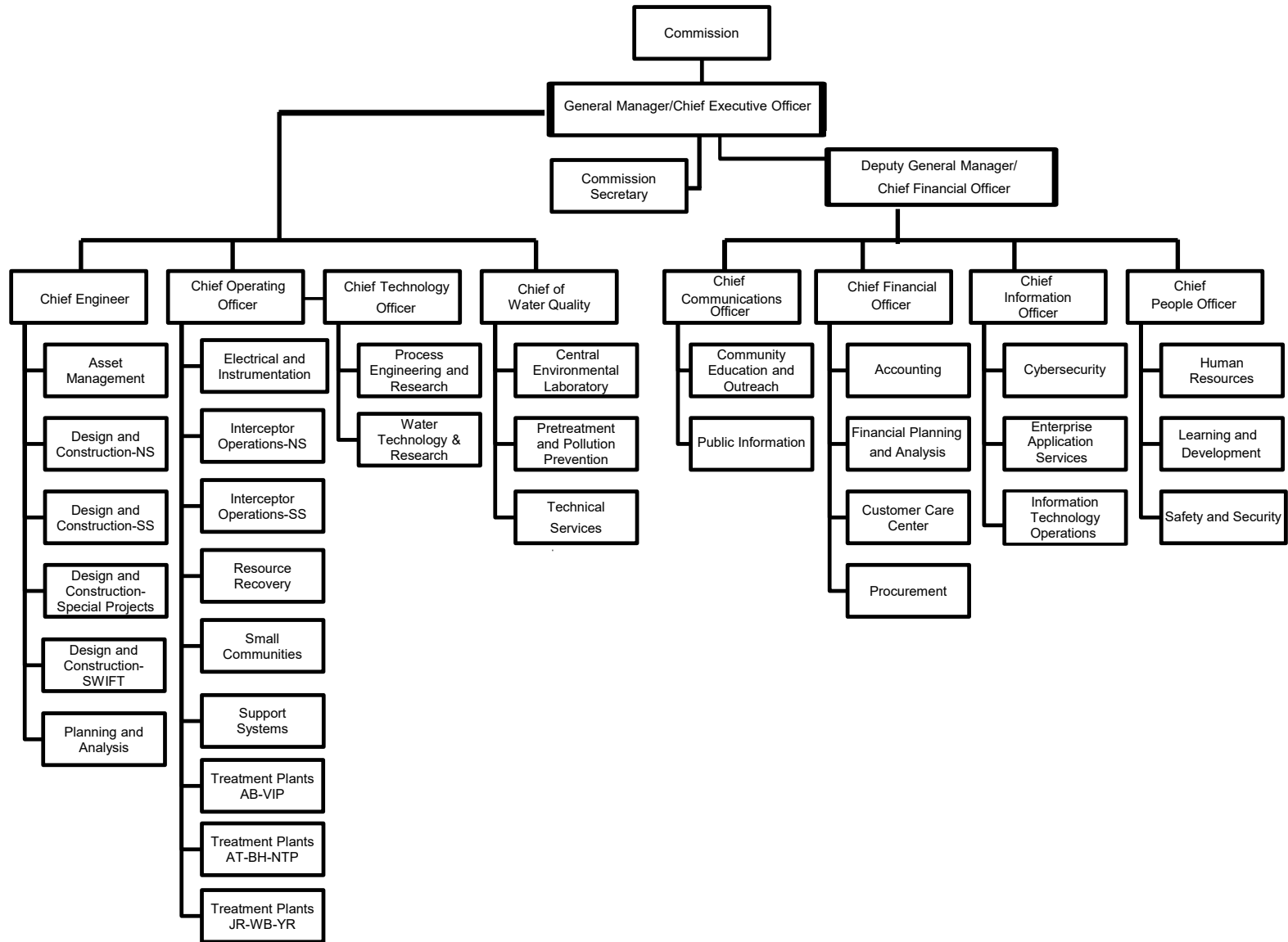
Sands Anderson, PC  
General Counsel

PFM Financial Advisors LLC  
Financial Advisors

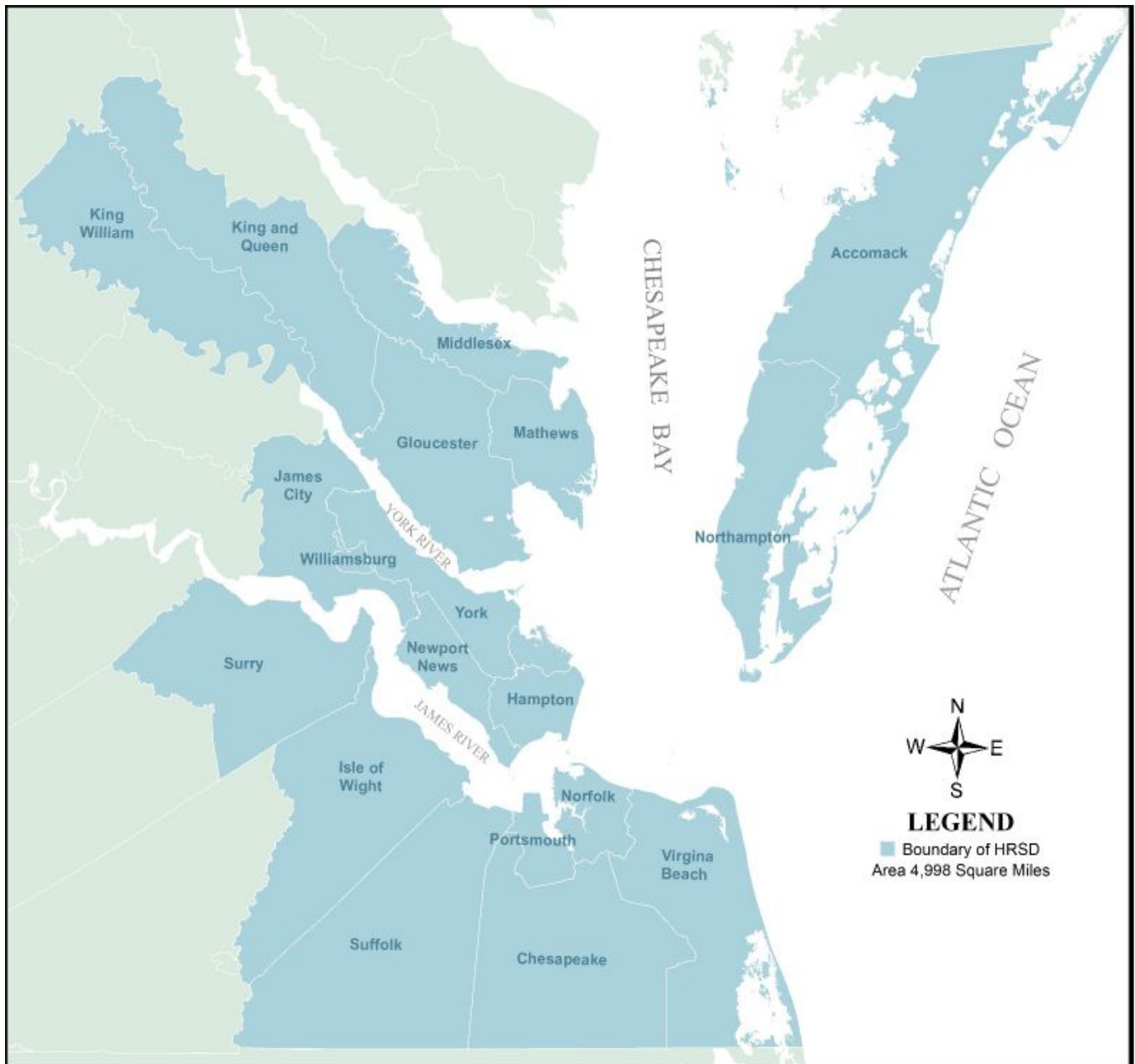
Norton Rose Fulbright US, LLP  
Bond Counsel

## HRSD Organization Chart

June 30, 2025



**Service Area**  
June 30, 2025



## History

### June 30, 2025

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 division chiefs and their staff.

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 2025.

Throughout its rich history HRSD has earned many of its industry’s most prestigious awards. This tradition continued as HRSD earned the Award for Outstanding Achievement in Popular Annual Financial Reporting from the Government Finance Officers Association for its Popular Annual Financial Report, issued in Fall 2025 for the Fiscal Year ended June 2024.

Additional 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 National Association of Clean Water Agencies (NACWA) National Environmental Achievement Awards in the categories of Public Information and Education, Watershed Collaboration, and Workforce Development. HRSD was also pleased to receive 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.”





# FINANCIAL SECTION

ANNUAL COMPREHENSIVE FINANCIAL REPORT / HAMPTON ROADS SANITATION DISTRICT



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## Report of Independent Auditor

To the Commissioners  
Hampton Roads Sanitation District  
Virginia Beach, Virginia

### 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, 2025 and 2024, 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, 2025 and 2024, 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 Audits 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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

#### ***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 29, 2025, 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 29, 2025

## 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, 2025 and 2024, 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 \$326.2 million, or 24.3 percent, in 2025 as a result of fiscal year 2025 operations. Total net position increased by \$174.4 million or 14.8 percent in fiscal year 2024.
- In fiscal year 2025, total revenues increased by \$48.7 million, or 10.8 percent, primarily driven by a \$38.1 million rise in wastewater treatment revenues following a 9 percent rate increase effective July 1, 2024. Investment income also grew by \$12.4 million, supported by the higher wastewater revenues and earnings on unspent proceeds from a \$268 million waterwater bond issued in July 2024. Similarly, in fiscal year 2024, operating revenues rose by \$46.1 million as a result of a 9 percent wastewater treatment rate increase effective July 1, 2023, while investment income increased \$7.6 million, largely due to higher interest rates.
- Overall, operating expenses increased by \$6.7 million, or 2.3 percent in fiscal year 2025. Increases in salaries (\$8.1 million) due to new positions and wage adjustments, materials and supplies (\$1.8 million), contractual services (\$2.3 million), and depreciation and amortization (\$3.4 million) were offset by a \$9.7 million (31.7 percent) reduction in fringe benefit costs. The decline in fringe benefits was driven by favorable medical claims experience (\$7.9 million) and a reduction (\$1.9 million) in Retiree Health Plan (RHP) OPEB expense. The OPEB decrease was primarily due to stronger-than-expected trust fund performance, changes in actuarial assumptions, and variances between expected and actual experience. For fiscal year 2024, restated operating expenses increased \$26.8 million. Most of this increase was attributable to a \$11.2 million increase in salaries and fringe benefit, 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.
- In fiscal year 2025, a one-time \$23.8 million reduction in RHP OPEB expense was recorded as a Special Item on the Statements of Revenues, Expenses, and Changes in Net Position. This adjustment resulted from management's decision to modify its retiree health benefit by transitioning participants from a Medicare Supplement Plan to an employer-sponsored Medicare Advantage Plan.
- Restricted Cash and cash equivalents increased \$159.3 million, or 714.3 percent, in fiscal year 2025, primarily due to a Waterwater Treatment Revenue Bond issue. Unrestricted cash and cash equivalents increased \$135.8 million, or 62.7 percent. Fiscal year 2024 reflected a decrease in restricted cash and cash equivalents of \$11.5 million, or 34.1 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. Unrestricted cash and cash equivalents increased \$68.3 million, or 46.1 percent, primarily due to receipt of debt proceeds to fund capital construction projects.
- Net Property, Plant and Equipment's increase of \$611.3 million, or 24.3 percent, was mostly due to a \$481.5 million increase in construction in progress associated with three large capital projects. Fiscal year 2024 reflected a similar increase of \$499.3 million, or 24.8 percent, due to a \$465.6 million net increase in construction in progress.
- In fiscal year 2025, HRSD adopted GASB Statement No. 101, *Compensated Absences*, the recognition and measurement guidance for compensated absences. The Statement requires that the fiscal year ended June 30, 2024 be restated and that the fiscal year ended June 30, 2023 ending net position be adjusted. The financial impact for fiscal year 2024 was a decrease of \$7.4 million in beginning Net Position (due to FY 2023 adjusted net position) and a \$0.3 million decrease in Ending Net Position due restatement of FY 2024. See Note 15 for additional information.

### 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 59 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 63 page of this report.

## FINANCIAL ANALYSIS

### Net Position

HRSD's total net position at June 30, 2025 was \$1.67 billion, a \$326.2 million, or a 24.3 percent increase from June 30, 2024. Total assets increased \$948.2 million, or 32.5 percent, to \$3.9 billion and total liabilities increased \$613.7 million, or 38.4 percent to \$2.2 billion.

HRSD's total net position at June 30, 2024 was \$1.34 billion, a \$174.4 million, or a 14.8 percent increase from June 30, 2023. Total assets increased \$571.2 million, or a 24.3 percent, to \$2.9 billion and total liabilities increased \$408.2 million, or 34.3 percent to \$1.6 billion.

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                |                     |                     | 2025 vs. 2024     |              |
|---------------------------------------|---------------------|---------------------|---------------------|-------------------|--------------|
|                                       | 2025                | Restated            | 2023                | Dollars           | Percent      |
| Capital assets                        | \$ 3,122,892        | \$ 2,511,633        | \$ 2,012,351        | \$ 611,259        | 24.3%        |
| Current and noncurrent assets         | 743,238             | 406,262             | 334,314             | 336,976           | 82.9%        |
| <b>Total assets</b>                   | <b>3,866,130</b>    | <b>2,917,895</b>    | <b>2,346,665</b>    | <b>948,235</b>    | <b>32.5%</b> |
| <b>Deferred outflows of resources</b> | <b>42,892</b>       | <b>39,373</b>       | <b>37,522</b>       | <b>3,519</b>      | <b>8.9%</b>  |
| Long-term liabilities                 | 1,800,769           | 1,261,974           | 917,223             | 538,795           | 42.7%        |
| Current liabilities                   | 409,609             | 334,660             | 271,225             | 74,949            | 22.4%        |
| <b>Total liabilities</b>              | <b>2,210,378</b>    | <b>1,596,634</b>    | <b>1,188,448</b>    | <b>613,744</b>    | <b>38.4%</b> |
| <b>Deferred inflows of resources</b>  | <b>28,458</b>       | <b>16,625</b>       | <b>18,717</b>       | <b>11,833</b>     | <b>71.2%</b> |
| Net investment in capital assets      | 1,156,903           | 1,017,839           | 981,437             | 139,064           | 13.7%        |
| Restricted for debt service           | 37,709              | 22,307              | 33,830              | 15,402            | 69.0%        |
| Restricted for capital projects       | 9,215               | -                   | -                   | 9,215             | 100.0%       |
| Restricted for net OPEB asset         | 30,404              | -                   | -                   | 30,404            | 100.0%       |
| Unrestricted                          | 435,955             | 303,863             | 161,755             | 132,092           | 43.5%        |
| <b>Total net position</b>             | <b>\$ 1,670,186</b> | <b>\$ 1,344,009</b> | <b>\$ 1,177,022</b> | <b>\$ 326,177</b> | <b>24.3%</b> |

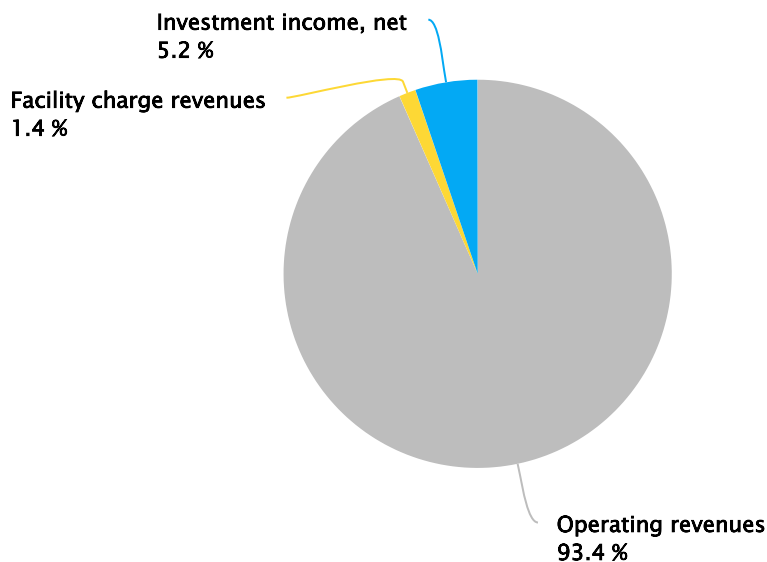
The increase in capital assets is primarily due to the significant increase in construction in progress, most notably for major expansion projects at two of HRSD's treatment plants and the construction of a storage tank, pump station and sub-aqueous force main under the Nansemond River in both fiscal years 2025 and 2024.

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                |                     | 2023                | 2025 vs. 2024     |              |
|------------------------------------------------------|---------------------|---------------------|---------------------|-------------------|--------------|
|                                                      | 2025                | Restated            |                     | Dollars           | Percent      |
| <b>Revenues:</b>                                     |                     |                     |                     |                   |              |
| Operating revenues                                   | \$ 465,036          | \$ 426,941          | \$ 387,935          | \$ 38,095         | 8.9%         |
| Facility charge revenues                             | 6,928               | 7,153               | 7,293               | (225)             | (3.1%)       |
| Investment income, net                               | 26,121              | 13,673              | 6,068               | 12,448            | 91.0%        |
| Bond interest subsidy                                | -                   | 1,622               | 2,015               | (1,622)           | (100.0%)     |
| <b>Total revenues</b>                                | <b>498,085</b>      | <b>449,389</b>      | <b>403,311</b>      | <b>48,696</b>     | <b>10.8%</b> |
| <b>Operating expenses:</b>                           |                     |                     |                     |                   |              |
| Wastewater treatment                                 | 173,973             | 167,327             | 149,532             | 6,646             | 4.0%         |
| General and administrative                           | 57,028              | 60,406              | 53,995              | (3,378)           | (5.6%)       |
| Depreciation and amortization                        | 60,456              | 57,053              | 54,469              | 3,403             | 6.0%         |
| <b>Total operating expenses</b>                      | <b>291,457</b>      | <b>284,786</b>      | <b>257,996</b>      | <b>6,671</b>      | <b>2.3%</b>  |
| <b>Non-operating expenses:</b>                       |                     |                     |                     |                   |              |
| Bond issuance costs                                  | 1,351               | 1,000               | 98                  | 351               | 35.1%        |
| Capital distributions to localities                  | 811                 | 2,005               | 2,422               | (1,194)           | (59.6%)      |
| Interest expense                                     | 45,888              | 33,642              | 27,132              | 12,246            | 36.4%        |
| <b>Total non-operating expenses</b>                  | <b>48,050</b>       | <b>36,647</b>       | <b>29,652</b>       | <b>11,403</b>     | <b>31.1%</b> |
| <b>Total expenses</b>                                | <b>339,507</b>      | <b>321,433</b>      | <b>287,648</b>      | <b>18,074</b>     | <b>5.6%</b>  |
| Income before capital contributions and special item | 158,578             | 127,956             | 115,663             | 30,622            | 23.9%        |
| Capital contributions                                | 143,841             | 46,425              | 1,875               | 97,416            | 209.8%       |
| Change in net position before special item           | 302,419             | 174,381             | 117,538             | 128,038           | 73.4%        |
| Special item - OPEB benefit adjustment               | 23,758              | -                   | -                   | 23,758            | 100.0%       |
| Change in net position                               | 326,177             | 174,381             | 117,538             | 151,796           | 87.0%        |
| Beginning net position, as previously reported       | 1,344,009           | 1,177,022           | 1,059,484           | 166,987           | 14.2%        |
| Restatement - change in accounting principle         | -                   | (7,394)             | -                   | 7,394             | 100.0%       |
| <b>Beginning net position, as restated</b>           | <b>\$ 1,344,009</b> | <b>\$ 1,169,628</b> | <b>\$ 1,059,484</b> | <b>\$ 174,381</b> | <b>14.9%</b> |
| <b>Total net position - ending</b>                   | <b>\$ 1,670,186</b> | <b>\$ 1,344,009</b> | <b>\$ 1,177,022</b> | <b>\$ 326,177</b> | <b>24.3%</b> |

### Revenues by Source



Operating revenues increased by \$38.1 million, or 8.9 percent, in 2025 and by \$39.0 million, or 10.1 percent, in 2024. The increases were primarily due to wastewater rate increases each year of approximately 9.0 percent. Net Investment income increased \$12.4 million in 2025, or 91.0 percent, primarily due to the availability of unspent bond proceeds and higher interest rates, compared to a \$7.6 million increase, or 125.3 percent, in 2024.

Overall, operating expenses increased by \$6.7 million, or 2.3 percent in fiscal year 2025. Increases in salaries (\$2.6 million) due to new positions and wage adjustments, materials and supplies (\$1.8 million), contractual services (\$2.3 million), and depreciation and amortization (\$3.4 million) were offset by a \$9.7 million (31.7 percent) reduction in fringe benefit costs. The decline in fringe benefits was driven by favorable medical claims experience (\$7.9 million) and a reduction (\$1.9 million) in RHP OPEB expense. The OPEB decrease was primarily due to stronger-than-expected trust fund performance, changes in actuarial assumptions, and variances between expected and actual experience. For fiscal year 2024, restated operating expenses increased \$26.8 million, or 10.4 percent. Most of this increase was attributable to a \$18.5 million increase in salaries and fringe benefits. Other increases in operating expenses were attributable to an \$7.5 million increase in major repairs and improvements and a \$2.3 million increase in bad debt expense.

In 2025 and 2024, HRSD received \$143.8 million and \$46.4 million, respectively, in capital contributions to help pay for its capital improvement program.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2025 and 2024, HRSD had approximately \$3.1 billion and \$2.5 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 \$611.3 million, or 24.3 percent in 2025 and a net increase of \$499.3 million, or 24.8 percent in 2024.

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

#### HRSD's Capital Assets

| (in thousands)                           | 2025                | 2024                | 2023                |
|------------------------------------------|---------------------|---------------------|---------------------|
| Land                                     | \$ 69,060           | \$ 64,198           | \$ 64,198           |
| Treatment plants                         | 622,316             | 627,956             | 644,214             |
| Interceptor systems                      | 727,949             | 598,700             | 561,916             |
| Buildings                                | 40,883              | 42,076              | 44,022              |
| Small community facilities               | 19,002              | 14,928              | 15,474              |
| Office equipment                         | 714                 | 930                 | 569                 |
| Automotive                               | 8,246               | 5,890               | 3,481               |
| Other equipment                          | 47,203              | 50,894              | 38,158              |
| Software and intangible assets           | 163                 | 214                 | 71                  |
|                                          | 1,535,536           | 1,405,786           | 1,372,103           |
| Construction in progress                 | 1,587,356           | 1,105,847           | 640,248             |
| <b>Net property, plant and equipment</b> | <b>\$ 3,122,892</b> | <b>\$ 2,511,633</b> | <b>\$ 2,012,351</b> |

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

| (in thousands)                           | 2025                | 2024                | 2023                |
|------------------------------------------|---------------------|---------------------|---------------------|
| Balance at beginning of year             | \$ 2,511,633        | \$ 2,012,351        | \$ 1,715,108        |
| Additions                                | 190,206             | 90,736              | 67,050              |
| Transfers/retirements                    | (1,358)             | (941)               | -                   |
| Depreciation and amortization            | (60,456)            | (57,053)            | (54,469)            |
| Accumulated depreciation retired         | 1,358               | 941                 | -                   |
| Net increase in construction in progress | 481,509             | 465,599             | 284,662             |
| <b>Balance at end of year</b>            | <b>\$ 3,122,892</b> | <b>\$ 2,511,633</b> | <b>\$ 2,012,351</b> |

HRSD's total capital expenditures were \$692.6 million during 2025 and \$577.4 million in 2024. 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 2024 was largely attributed to the same projects.

### Long Term Debt

The balance for HRSD's total bonds outstanding including bond premium was \$1.9 billion as of June 30, 2025, versus \$1.3 billion at fiscal year end 2024, a 40.75 percent increase year over year. Outstanding notes payable decreased to \$92.5 million at fiscal year end 2025 from \$100.0 million at fiscal year end 2024, a 7.54 percent decrease over prior year. To capitalize on interest rate savings, in fiscal year 2025, HRSD issued Wastewater Revenue Bonds, Series 2024B, in the amount of \$240.8 million to support spending on capital improvements. In fiscal year 2024, 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 and HRSD fully discharged all debt previously identified as senior lien obligations. With no debt priority, all bonded indebtedness 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 \$332.1 million, were offset by payments on existing debt, in the amount of \$59.9 million. Unamortized bond premium as of June 30, 2025, was \$47.1 million versus \$23.1 million at fiscal year end 2024.

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

#### HRSD's Outstanding Debt

| (in thousands)                                     | 2025                | 2024                | 2023                |
|----------------------------------------------------|---------------------|---------------------|---------------------|
| Senior revenue bonds (including bond premium)      | \$ 1,854,322        | \$ 1,317,445        | \$ 166,268          |
| Subordinate revenue bonds (including bond premium) | -                   | -                   | 813,474             |
| Notes payable                                      | 92,462              | 100,000             | 68,580              |
| <b>Total outstanding debt</b>                      | <b>\$ 1,946,784</b> | <b>\$ 1,417,445</b> | <b>\$ 1,048,322</b> |

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 debt service coverage basis. The 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 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 |                         |
|------------------------|------------------------------|-------------------------|
|                        | GAAP                         | HRSD                    |
| Senior Trust Agreement | 1.20x<br>(MADS)              | None                    |
| Financial Policy       | None                         | 1.40x<br>(Current Year) |

More detailed information regarding HRSD's capital assets and long-term debt is presented in Notes 6 and 9, respectively.

## ECONOMIC FACTORS AND RATES

Average billed consumption continues to remain stable as more efficient home appliances and industrial processes are utilized throughout the region. Billed consumption slightly increased from 109 MGD to 111 MGD in fiscal year 2025.

HRSD implemented a 9 percent wastewater treatment rate increase for the 2025 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, 2025 AND 2024**

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

(in thousands)

|                                                          | 2025                | 2024<br>Restated    |
|----------------------------------------------------------|---------------------|---------------------|
| <b>CURRENT ASSETS</b>                                    |                     |                     |
| Cash and cash equivalents                                | \$ 352,373          | \$ 216,611          |
| Cash and cash equivalents - restricted                   | 159,524             | 22,307              |
| Accounts receivable, net                                 | 80,670              | 70,524              |
| Other current assets                                     | 3,130               | 4,616               |
| <b>TOTAL CURRENT ASSETS</b>                              | <b>595,697</b>      | <b>314,058</b>      |
| <b>NONCURRENT ASSETS</b>                                 |                     |                     |
| Cash and cash equivalents - restricted                   | 22,115              | -                   |
| Investments                                              | 69,597              | 65,916              |
| Inventory                                                | 25,425              | 26,288              |
| Net OPEB asset - restricted                              | 30,404              | -                   |
|                                                          | <b>147,541</b>      | <b>92,204</b>       |
| <b>NET PROPERTY, PLANT AND EQUIPMENT</b>                 |                     |                     |
| Land                                                     | 69,060              | 64,198              |
| Treatment plants                                         | 1,518,062           | 1,490,990           |
| Interceptor systems                                      | 991,780             | 846,052             |
| Buildings                                                | 70,687              | 69,835              |
| Small community facilities                               | 30,705              | 26,094              |
| Office equipment                                         | 45,881              | 45,881              |
| Automotive                                               | 27,598              | 24,655              |
| Other equipment                                          | 99,624              | 96,844              |
| Software and intangible assets                           | 40,332              | 40,332              |
|                                                          | <b>2,893,729</b>    | <b>2,704,881</b>    |
| Less: Accumulated depreciation and amortization          | 1,358,193           | 1,299,095           |
|                                                          | <b>1,535,536</b>    | <b>1,405,786</b>    |
| Construction in progress                                 | 1,587,356           | 1,105,847           |
| <b>NET PROPERTY, PLANT AND EQUIPMENT</b>                 | <b>3,122,892</b>    | <b>2,511,633</b>    |
| <b>TOTAL NONCURRENT ASSETS</b>                           | <b>3,270,433</b>    | <b>2,603,837</b>    |
| <b>TOTAL ASSETS</b>                                      | <b>3,866,130</b>    | <b>2,917,895</b>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                    |                     |                     |
| Deferred loss on debt refunding, net                     | 14,808              | 16,319              |
| Differences between expected and actual experience:      |                     |                     |
| OPEB plans                                               | 5,971               | 7,282               |
| Pension plan                                             | 12,863              | 7,483               |
| Changes of assumptions:                                  |                     |                     |
| OPEB plans                                               | 3,008               | 2,414               |
| Pension plan                                             | -                   | 1,416               |
| Net difference between projected and actual earnings on: |                     |                     |
| Change in proportion, OPEB plans                         | 93                  | 35                  |
| Contributions subsequent to the measurement date:        |                     |                     |
| OPEB plans                                               | 499                 | 496                 |
| Pension plan                                             | 5,650               | 3,928               |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>              | <b>42,892</b>       | <b>39,373</b>       |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>   | <b>\$ 3,909,022</b> | <b>\$ 2,957,268</b> |

See Accompanying Notes to Financial Statements

## STATEMENTS OF NET POSITION AS OF JUNE 30, 2025 AND 2024

### LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

(in thousands)

|                                                                          | 2025                | 2024<br>Restated    |
|--------------------------------------------------------------------------|---------------------|---------------------|
| <b>CURRENT LIABILITIES</b>                                               |                     |                     |
| Trade and contracts payable                                              | \$ 138,863          | \$ 70,836           |
| Contract retention                                                       | 46,914              | 33,380              |
| Accrued salaries and wages                                               | 2,504               | 1,955               |
| Current portion of bonds payable                                         | 51,251              | 53,642              |
| Variable rate demand bonds                                               | 50,000              | 50,000              |
| Notes payable                                                            | 92,462              | 100,000             |
| Current portion of compensated absences                                  | 7,803               | 6,600               |
| Debt interest payable                                                    | 13,742              | 7,090               |
| Other liabilities                                                        | 6,070               | 11,157              |
| <b>TOTAL CURRENT LIABILITIES</b>                                         | <b>409,609</b>      | <b>334,660</b>      |
| <b>LONG-TERM LIABILITIES</b>                                             |                     |                     |
| Compensated absences                                                     | 11,673              | 11,542              |
| Net OPEB liability                                                       | 4,014               | 8,021               |
| Net pension liability                                                    | 32,011              | 28,608              |
| Bonds payable                                                            | 1,753,071           | 1,213,803           |
| <b>TOTAL LONG-TERM LIABILITIES</b>                                       | <b>1,800,769</b>    | <b>1,261,974</b>    |
| <b>TOTAL LIABILITIES</b>                                                 | <b>2,210,378</b>    | <b>1,596,634</b>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                     |                     |                     |
| Differences between expected and actual experience:                      |                     |                     |
| OPEB plans                                                               | 13,483              | 6,311               |
| Pension plan                                                             | -                   | 169                 |
| Changes of assumptions, OPEB plans                                       | 3,975               | 4,938               |
| Net difference between projected and actual earnings on:                 |                     |                     |
| OPEB plans investments                                                   | 3,354               | 837                 |
| Pension plan investments                                                 | 7,543               | 4,230               |
| Change in proportion, OPEB plans                                         | 103                 | 140                 |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                               | <b>28,458</b>       | <b>16,625</b>       |
| <b>NET POSITION</b>                                                      |                     |                     |
| Net investment in capital assets                                         | 1,156,903           | 1,017,839           |
| Restricted:                                                              |                     |                     |
| Debt service                                                             | 37,709              | 22,307              |
| Capital projects                                                         | 9,215               | -                   |
| Net OPEB asset                                                           | 30,404              | -                   |
| Unrestricted                                                             | 435,955             | 303,863             |
| <b>TOTAL NET POSITION</b>                                                | <b>1,670,186</b>    | <b>1,344,009</b>    |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b> | <b>\$ 3,909,022</b> | <b>\$ 2,957,268</b> |

See Accompanying Notes to Financial Statements

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE FISCAL YEARS ENDED JUNE 30, 2025 and 2024**

| (in thousands)                                                  | 2025                | 2024<br>Restated    |
|-----------------------------------------------------------------|---------------------|---------------------|
| <b>OPERATING REVENUES</b>                                       |                     |                     |
| Wastewater treatment charges                                    | \$ 460,275          | \$ 422,784          |
| Miscellaneous                                                   | 4,761               | 4,157               |
| <b>TOTAL OPERATING REVENUES</b>                                 | <b>465,036</b>      | <b>426,941</b>      |
| <br><b>OPERATING EXPENSES</b>                                   |                     |                     |
| Wastewater treatment                                            | 173,973             | 167,327             |
| General and administrative                                      | 57,028              | 60,406              |
| Depreciation and amortization                                   | 60,456              | 57,053              |
| <b>TOTAL OPERATING EXPENSES</b>                                 | <b>291,457</b>      | <b>284,786</b>      |
| <br><b>OPERATING INCOME</b>                                     | <b>173,579</b>      | <b>142,155</b>      |
| <br><b>NON-OPERATING REVENUES (EXPENSES)</b>                    |                     |                     |
| Wastewater facility charges                                     | 6,928               | 7,153               |
| Investment income                                               | 26,121              | 13,673              |
| Bond interest subsidy                                           | -                   | 1,622               |
| Bond issuance costs                                             | (1,351)             | (1,000)             |
| Capital distributions to localities                             | (811)               | (2,005)             |
| Interest expense                                                | (45,888)            | (33,642)            |
| <b>NET NON-OPERATING EXPENSES</b>                               | <b>(15,001)</b>     | <b>(14,199)</b>     |
| <br><b>INCOME BEFORE CAPITAL CONTRIBUTIONS AND SPECIAL ITEM</b> | <b>158,578</b>      | <b>127,956</b>      |
| <br><b>CAPITAL CONTRIBUTIONS</b>                                |                     |                     |
| Capital grants received                                         | 138,949             | 34,183              |
| Other capital contributions                                     | 4,892               | 12,242              |
| <b>CAPITAL CONTRIBUTIONS</b>                                    | <b>143,841</b>      | <b>46,425</b>       |
| <br><b>CHANGE IN NET POSITION BEFORE SPECIAL ITEM</b>           | <b>302,419</b>      | <b>174,381</b>      |
| <br>Special item - OPEB benefit adjustment                      | 23,758              | -                   |
| <br><b>CHANGE IN NET POSITION</b>                               | <b>326,177</b>      | <b>174,381</b>      |
| <br>TOTAL NET POSITION - Beginning, as previously reported      | 1,344,009           | 1,177,022           |
| Restatement - change in accounting principle                    | -                   | (7,394)             |
| <b>BEGINNING NET POSITION, as restated</b>                      | <b>1,344,009</b>    | <b>1,169,628</b>    |
| <br><b>TOTAL NET POSITION - Ending</b>                          | <b>\$ 1,670,186</b> | <b>\$ 1,344,009</b> |

See Accompanying Notes to Financial Statements

# **STATEMENTS OF CASH FLOWS** **FOR THE FISCAL YEARS ENDED JUNE 30, 2025 and 2024**

| (in thousands)                                                                                         | 2025              | 2024<br>Restated  |
|--------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                            |                   |                   |
| Cash received from customers                                                                           | \$ 445,820        | \$ 407,016        |
| Other operating revenues                                                                               | 4,761             | 4,157             |
| Cash payments to suppliers for goods and services                                                      | (144,410)         | (151,085)         |
| Cash payments to employees for services                                                                | (78,083)          | (68,794)          |
| Net cash provided by operating activities                                                              | 228,088           | 191,294           |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                                                 |                   |                   |
| Capital distributions to localities                                                                    | (811)             | (2,005)           |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                                        |                   |                   |
| Wastewater facility charges                                                                            | 6,928             | 7,153             |
| Acquisition and construction of property, plant and equipment                                          | (595,655)         | (532,696)         |
| Proceeds from capital debt                                                                             | 601,229           | 417,673           |
| Bond interest subsidy                                                                                  | -                 | 1,622             |
| Principal paid on capital debt                                                                         | (67,444)          | (48,138)          |
| Funds from debt defeasance                                                                             | -                 | 806               |
| Capitalized interest expense                                                                           | (6,241)           | (1,713)           |
| Capital grants                                                                                         | 138,949           | 34,183            |
| Other capital contributions                                                                            | 4,892             | 12,242            |
| Bond issuance costs                                                                                    | (1,351)           | (1,000)           |
| Interest paid on interim financing                                                                     | (4,142)           | (4,661)           |
| Interest paid on capital debt                                                                          | (31,790)          | (28,798)          |
| Net cash provided by (used in) capital and related financing activities                                | 45,375            | (143,327)         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                                            |                   |                   |
| Interest and dividends on investments                                                                  | 22,442            | 10,831            |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS<br/>AND CASH AND CASH EQUIVALENTS - RESTRICTED</b>        | 295,094           | 56,793            |
| <b>CASH AND CASH EQUIVALENTS, AND CASH AND CASH<br/>EQUIVALENTS - RESTRICTED, AT BEGINNING OF YEAR</b> | 238,918           | 182,125           |
| <b>CASH AND CASH EQUIVALENTS, AND CASH AND CASH<br/>EQUIVALENTS - RESTRICTED, AT END OF YEAR</b>       | <b>\$ 534,012</b> | <b>\$ 238,918</b> |
| <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>                 |                   |                   |
| Operating income                                                                                       | \$ 173,579        | \$ 142,155        |
| Adjustments to reconcile operating income to net cash provided by operating activities:                |                   |                   |
| Depreciation and amortization                                                                          | 60,456            | 57,053            |
| Special Item related to OPEB asset                                                                     | 23,758            | -                 |
| Decrease (increase) in operating assets:                                                               |                   |                   |
| Accounts receivable                                                                                    | (10,146)          | (10,443)          |
| Inventory                                                                                              | 863               | (283)             |
| OPEB asset                                                                                             | (30,404)          | -                 |
| Other current assets                                                                                   | 1,486             | (1,587)           |
| Increase (decrease) in operating liabilities:                                                          |                   |                   |
| Trade and contracts payable                                                                            | 5,501             | 812               |
| Accrued salaries and wages                                                                             | 549               | 562               |
| Compensated absences                                                                                   | 1,334             | 653               |
| Other liabilities                                                                                      | (5,087)           | 2,334             |
| OPEB liabilities and related deferred inflows and outflows                                             | 5,338             | (1,272)           |
| Pension liabilities and related deferred inflows and outflows                                          | 861               | 1,310             |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>                                                       | <b>\$ 228,088</b> | <b>\$ 191,294</b> |
| <b>Noncash Capital and Related Financing Activities:</b>                                               |                   |                   |
| Proceeds of refunding debt principal                                                                   | \$ -              | \$ 115,585        |
| Refunding of debt principal                                                                            | -                 | (125,400)         |
| Contract Retainage                                                                                     | 13,534            | 16,275            |
| Accrual for capital expenditures                                                                       | 62,527            | 7,365             |
| Amortization of premium                                                                                | 4,446             | 9,403             |
| Amortization of deferred loss on bond refunding                                                        | 1,511             | 1,090             |

See Accompanying Notes to Financial Statements

**STATEMENTS OF FIDUCIARY NET POSITION**  
**AS OF JUNE 30, 2025 and 2024**

| (in thousands)                   |                       |                  |                        |             |  |
|----------------------------------|-----------------------|------------------|------------------------|-------------|--|
|                                  | OPEB (RHP) Trust Fund |                  | Custodial Funds (ARPA) |             |  |
|                                  | 2025                  | 2024             | 2025                   | 2024        |  |
| <b>ASSETS</b>                    |                       |                  |                        |             |  |
| Cash and cash equivalents        | \$ 363                | \$ 818           | \$ -                   | \$ -        |  |
| Investments at fair value        |                       |                  |                        |             |  |
| Domestic equity                  | 41,184                | 31,220           | -                      | -           |  |
| International equity             | 10,442                | 15,465           | -                      | -           |  |
| Fixed income                     | 27,903                | 25,608           | -                      | -           |  |
| Other income                     | 2,554                 | 2,646            | -                      | -           |  |
| Total investments                | 82,083                | 74,939           | -                      | -           |  |
| <b>TOTAL ASSETS</b>              | <b>\$ 82,446</b>      | <b>\$ 75,757</b> | <b>\$ -</b>            | <b>\$ -</b> |  |
| <b>NET POSITION</b>              |                       |                  |                        |             |  |
| Restricted for:                  |                       |                  |                        |             |  |
| Postretirement benefits for OPEB | 82,446                | 75,757           | -                      | -           |  |
| <b>TOTAL NET POSITION</b>        | <b>\$ 82,446</b>      | <b>\$ 75,757</b> | <b>\$ -</b>            | <b>\$ -</b> |  |

See Accompanying Notes to Financial Statements

# STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION FOR THE FISCAL YEARS ENDED JUNE 30, 2025 and 2024

(in thousands)

|                                   | OPEB (RHP) Trust Fund |                  | Custodial Funds (ARPA) |             |
|-----------------------------------|-----------------------|------------------|------------------------|-------------|
|                                   | 2025                  | 2024             | 2025                   | 2024        |
| <b>ADDITIONS:</b>                 |                       |                  |                        |             |
| Contribution from HRSD            | \$ -                  | \$ 1,914         | \$ -                   | \$ -        |
| Net investment income             | 8,248                 | 8,270            | -                      | -           |
| Investment related expenses       | (61)                  | (64)             | -                      | -           |
| Total Additions                   | 8,187                 | 10,120           | -                      | -           |
| <b>DEDUCTIONS:</b>                |                       |                  |                        |             |
| Benefit payments for participants | 1,498                 | 1,786            | -                      | -           |
| Payments for customers            | -                     | -                | -                      | 4           |
| Total Deductions                  | 1,498                 | 1,786            | -                      | 4           |
| Change in Net Position            | 6,689                 | 8,334            | -                      | (4)         |
| Net Position - Beginning          | 75,757                | 67,423           | -                      | 4           |
| <b>NET POSITION - ENDING</b>      | <b>\$ 82,446</b>      | <b>\$ 75,757</b> | <b>\$ -</b>            | <b>\$ -</b> |

See Accompanying Notes to 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 division chiefs.

#### Regulatory Oversight

HRSD's operations are subject to regulations established by the United States Environmental Protection Agency and the Virginia Department of Environmental Quality. 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 (excluding Town of Claremont) |
| City of Portsmouth   | James City County      | York County                                |
| City of Suffolk      | King and Queen County  |                                            |

### 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.

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.

When both restricted and unrestricted resources are available for use, it is HRSD's policy to use restricted resources first, then unrestricted resources as they are needed.

#### 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 division with budgetary controls exercised administratively by management at the divisional level. The CEO is authorized to add or eliminate positions and transfer funds among divisions without further approval by the Commission. Appropriations lapse at the end of the fiscal year. Valid, outstanding encumbrances (those for which performance is expected in a subsequent fiscal year) are reappropriated 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, 2025 and 2024 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

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 VIP 1-3 Year High Quality Bond Fund has an average effective duration period of 1.8 years and although the funds are easily convertible into cash, the intention of HRSD is to hold the funds as an investment.

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, capital grants and it may receive 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 generally 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.

Depending on years of service, permanent employees enrolled in the Virginia Retirement System (VRS) 1 or VRS 2 retirement plan earn from 123.5 to 221 hours of annual leave per year. These employees have a vested right to their

annual leave when earned and have a maximum pay out upon separation ranging from 363.5 to 653 hours based on number of years of service. In addition, these employees earn 97.5 hours per year of sick leave regardless of the number of years of service. 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 enrolled in the VRS Hybrid retirement plan earn 208 hours of paid time off (PTO) per year. These employees have a vested right to their annual leave after two years of service and have a maximum pay out upon separation ranging from 120 to 480 hours based on number of years of service. 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 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 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 which 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 the VRS Political Subdivision Retirement Plan which 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 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. Investments are recorded at fair value.

#### 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 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.

**NOTES TO THE FINANCIAL STATEMENTS**

Change in Accounting Pronouncements

In fiscal year 2025, there were two new GASB Standards, No. 101 and No. 102. GASB pronouncement Statement No. 101, *Compensated Absences*, establishes standards of accounting and financial reporting by updating the recognition and measurement guidance for compensated absences. See Note 15 for additional information. GASB Statement No. 102, *Certain Risk Disclosures*, establishes financial reporting requirements for risks related to vulnerabilities due to certain concentrations or constraints. The implementation of this new standard did not have a material impact on HRSD's financial statements for fiscal year 2025.

**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, 2025 and 2024, the carrying values of HRSD's deposits were \$65,806,000 and \$60,129,000, respectively, and the bank balances were \$63,797,000 and \$58,164,000, respectively. All of the bank balances at June 30, 2025 and 2024 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)                                                | 2025       | 2024       |
|---------------------------------------------------------------|------------|------------|
| Cash and cash equivalents - unrestricted:                     |            |            |
| Cash deposits - unrestricted                                  | \$ 65,806  | \$ 60,129  |
| VIP Stable NAV Liquidity - unrestricted                       | 286,567    | 156,482    |
| Total cash and cash equivalents - unrestricted                | 352,373    | 216,611    |
| Cash and cash equivalents - restricted:                       |            |            |
| VIP Stable NAV Liquidity - restricted                         | 37,709     | 22,307     |
| SNAP - restricted                                             | 143,930    | -          |
| Total cash and cash equivalents - restricted                  | 181,639    | 22,307     |
| Total cash and cash equivalents - unrestricted and restricted | \$ 534,012 | \$ 238,918 |

The components of investments at June 30 are as follows:

|                                     |           |           |
|-------------------------------------|-----------|-----------|
| VIP 1-3 Year High Quality Bond Fund | \$ 69,597 | \$ 65,916 |
|-------------------------------------|-----------|-----------|

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 cash, cash equivalents and investments at June 30:

| (in thousands)                                      | 2025             | 2024             |
|-----------------------------------------------------|------------------|------------------|
| Domestic equity                                     | \$ 41,184        | \$ 31,220        |
| International equity                                | 10,442           | 15,465           |
| Fixed income                                        | 27,903           | 25,608           |
| Other income                                        | 2,554            | 2,646            |
| Money market                                        | 363              | 818              |
| <b>Total investments, cash and cash equivalents</b> | <b>\$ 82,446</b> | <b>\$ 75,757</b> |

Fixed income investments had an average maturity of 7.8 years and 8.0 years as of June 30, 2025 and 2024, respectively. The average credit quality was A as of June 30, 2025 and AA as of June 30, 2024. 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)                                    | 2025            | 2024            |
|---------------------------------------------------|-----------------|-----------------|
| Balance, beginning of year                        | \$ 2,910        | \$ 2,282        |
| Add: Current provision for uncollectible accounts | 4,275           | 5,325           |
| Less: Charge-off of uncollectible accounts        | (3,974)         | (4,697)         |
| Balance, end of year                              | <u>\$ 3,211</u> | <u>\$ 2,910</u> |

HRSD's collection ratios for the years ended June 30, 2025 and 2024 were 99.1% and 98.9%, respectively.

**NOTE 5 - COMPENSATED ABSENCES**

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

|                       | 2025             | 2024 *           |
|-----------------------|------------------|------------------|
| (in thousands)        |                  |                  |
| Beginning of year     | \$ 18,142        | \$ 17,489        |
| Net change            | 1,334            | 653              |
| End of year           | \$ 19,476        | \$ 18,142        |
| Less: current portion | 7,803            | 6,600            |
| Noncurrent portion    | <u>\$ 11,673</u> | <u>\$ 11,542</u> |

\* Fiscal year 2024 was restated due to GASB 101. See Note 15 for additional information.

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 6 - PROPERTY, PLANT AND EQUIPMENT**

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

| (in thousands)                                         | Balance<br>2023 | Additions   | Transfers/<br>Retirements | Balance<br>2024 | Additions   | Transfers/<br>Retirements | Balance<br>2025 |
|--------------------------------------------------------|-----------------|-------------|---------------------------|-----------------|-------------|---------------------------|-----------------|
| <b>Non-Depreciable Capital Assets:</b>                 |                 |             |                           |                 |             |                           |                 |
| Land                                                   | \$ 64,198       | \$ -        | \$ -                      | \$ 64,198       | \$ 4,862    | \$ -                      | \$ 69,060       |
| Construction in progress                               | 640,248         | 562,250     | (96,651)                  | 1,105,847       | 669,151     | (187,642)                 | 1,587,356       |
| <b>Depreciable Capital Assets:</b>                     |                 |             |                           |                 |             |                           |                 |
| Treatment plants                                       | 1,474,641       | 16,349      | -                         | 1,490,990       | 27,072      | -                         | 1,518,062       |
| Interceptor systems                                    | 793,863         | 52,189      | -                         | 846,052         | 145,728     | -                         | 991,780         |
| Buildings                                              | 69,759          | 76          | -                         | 69,835          | 852         | -                         | 70,687          |
| Small community facilities                             | 26,094          | -           | -                         | 26,094          | 4,611       | -                         | 30,705          |
| Office equipment                                       | 45,353          | 528         | -                         | 45,881          | -           | -                         | 45,881          |
| Automotive                                             | 21,694          | 3,902       | (941)                     | 24,655          | 4,301       | (1,358)                   | 27,598          |
| Other equipment                                        | 79,329          | 17,515      | -                         | 96,844          | 2,780       | -                         | 99,624          |
| Software and intangible assets                         | 40,155          | 177         | -                         | 40,332          | -           | -                         | 40,332          |
| Total                                                  | \$ 3,255,334    | \$ 652,986  | \$ (97,592)               | \$ 3,810,728    | \$ 859,357  | \$ (189,000)              | \$ 4,481,085    |
| <b>Less Accumulated Depreciation and Amortization:</b> |                 |             |                           |                 |             |                           |                 |
| Treatment plants                                       | \$ (830,427)    | \$ (32,607) | \$ -                      | \$ (863,034)    | \$ (32,712) | \$ -                      | \$ (895,746)    |
| Interceptor systems                                    | (231,947)       | (15,405)    | -                         | (247,352)       | (16,479)    | -                         | (263,831)       |
| Buildings                                              | (25,737)        | (2,022)     | -                         | (27,759)        | (2,045)     | -                         | (29,804)        |
| Small community facilities                             | (10,620)        | (546)       | -                         | (11,166)        | (537)       | -                         | (11,703)        |
| Office equipment                                       | (44,784)        | (167)       | -                         | (44,951)        | (216)       | -                         | (45,167)        |
| Automotive                                             | (18,213)        | (1,493)     | 941                       | (18,765)        | (1,945)     | 1,358                     | (19,352)        |
| Other equipment                                        | (41,171)        | (4,779)     | -                         | (45,950)        | (6,471)     | -                         | (52,421)        |
| Software and intangible assets                         | -               | -           | -                         | -               | -           | -                         | -               |
| -amortization                                          | (40,084)        | (34)        | -                         | (40,118)        | (51)        | -                         | (40,169)        |
| Total                                                  | (1,242,983)     | (57,053)    | 941                       | (1,299,095)     | (60,456)    | 1,358                     | (1,358,193)     |
| Net Property, Plant and Equipment                      | \$ 2,012,351    | \$ 595,933  | \$ (96,651)               | \$ 2,511,633    | \$ 798,901  | \$ (187,642)              | \$ 3,122,892    |

**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 normal, early or disability retirement benefits under the 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 advantage 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 administrator. 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 percent on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25 percent on each subsequent January 1 until it reaches 25 percent 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 based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$9,532 as of June 30, 2025.

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

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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 years of service credit to qualify for the HIC as a retiree.

**Employees Covered by Benefit Terms**

**RHP**

As of the July 1, 2024 and 2023 actuarial valuation dates the following employees were covered by the benefit terms of the RHP:

|                                                    | 2024  | 2023 |
|----------------------------------------------------|-------|------|
| Beneficiaries currently receiving benefit payments | 244   | 248  |
| Active employees                                   | 767   | 734  |
| Total                                              | 1,011 | 982  |

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

**HIC**

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

|                                                                              | 2023  | 2022  |
|------------------------------------------------------------------------------|-------|-------|
| Inactive members or their beneficiaries currently receiving benefit payments | 395   | 420   |
| Active employees                                                             | 830   | 774   |
| Total                                                                        | 1,225 | 1,194 |

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 \$165 to \$171 per month for retiree and dependent coverage. Members not eligible for Medicare contribute \$45 per month for retiree-only coverage and from \$360 to \$366 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). HRSD contributed \$0 and \$1,914,000 to the RHP for the years ended June 30, 2025 and 2024, 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 1.18 percent of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.71 percent (1.18 percent X 60 percent) and the employer component was 0.47 percent (1.18 percent X 40 percent). 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, 2025, was 0.47 percent 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, 2023. 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 \$345,000 and \$357,000 for the years ended June 30, 2025 and June 30, 2024, respectively.

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, 2025 and June 30, 2024, was 0.21 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. 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 \$154,000 and \$139,000 for the years ended June 30, 2025, and June 30, 2024, respectively.

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

HRSD recognized RHP OPEB gain of \$24,756,000 and expense of \$921,000 for the years ended June 30, 2025 and 2024, respectively. HRSD reported deferred outflows of resources and deferred inflows of resources related to RHP OPEB from the following sources:

| (in thousands)                                                     | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Year ended June 30, 2025:                                          |                                      |                                     |
| Differences between expected and actual experience                 | \$ 5,448                             | \$ 13,210                           |
| Changes in assumptions                                             | 2,941                                | 3,833                               |
| Net diff between projected and actual earnings on plan investments | -                                    | 3,260                               |
| Total                                                              | <u>\$ 8,389</u>                      | <u>\$ 20,303</u>                    |
| 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>                    |

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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 |  | 2025               | 2024              |
| 2025                |  | \$ -               | \$ (805)          |
| 2026                |  | (434)              | 1,352             |
| 2027                |  | (3,274)            | (1,487)           |
| 2028                |  | (3,179)            | (1,392)           |
| 2029                |  | (1,491)            | 296               |
| 2030                |  | (1,354)            | -                 |
| Thereafter          |  | (2,182)            | (427)             |
|                     |  | <u>\$ (11,914)</u> | <u>\$ (2,463)</u> |

**GLI**

At June 30, 2025, HRSD reported a liability of \$2,872,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2024 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, 2023, and rolled forward to the measurement date of June 30, 2024. 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 fiscal year ended June 30, 2024, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, HRSD's proportion was 0.2574%.

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. 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 fiscal year ended June 30, 2023, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the participating employer's proportion was 0.2503%.

For the years ended June 30, 2025 and 2024, HRSD recognized GLI OPEB expenses of \$61,000 and \$116,000, 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, 2025 and 2024, HRSD reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

| (in thousands)                                                    | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|-------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Year ended June 30, 2025:                                         |                                      |                                     |
| Differences between expected and actual experience                | \$ 453                               | \$ 242                              |
| Net diff bet projected and actual earnings on program investments | -                                    | 70                                  |
| Change in assumptions                                             | 16                                   | 142                                 |
| Changes in proportion                                             | 93                                   | 103                                 |
| Employer contributions subsequent to the measurement date         | 345                                  | -                                   |
| Total                                                             | <u>\$ 907</u>                        | <u>\$ 557</u>                       |
| 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>                       |

HRSD reported \$345,000 and \$357,000 as of June 30, 2025 and 2024, 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, 2026 and 2025, 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)      |             |              |
|---------------------|-------------|--------------|
| Years ended June 30 | 2025        | 2024         |
| 2025                | \$ -        | (46)         |
| 2026                | (138)       | (150)        |
| 2027                | 48          | 31           |
| 2028                | (6)         | (22)         |
| 2029                | 43          | 26           |
| 2030                | 58          | -            |
|                     | <u>\$ 5</u> | <u>(161)</u> |

### HIC

HRSD recognized HIC Program OPEB expense of \$129,000 and \$130,000 for the years ended June 30, 2025 and 2024, 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<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|-------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Year ended June 30, 2025:                                         |                                      |                                     |
| Differences between expected and actual experience                | \$ 70                                | \$ 31                               |
| Net diff bet projected and actual earnings on program investments | -                                    | 24                                  |
| Change in assumptions                                             | 51                                   | -                                   |
| Employer contributions subsequent to the measurement date         | 154                                  | -                                   |
| Total                                                             | <u>\$ 275</u>                        | <u>\$ 55</u>                        |
| 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>                        |

HRSD reported \$154,000 for FY 2025 and \$139,000 for FY 2024 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, 2026 and 2025, 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)      |              |               |
|---------------------|--------------|---------------|
| Years ended June 30 | 2025         | 2024          |
| 2025                | \$ -         | 37            |
| 2026                | 15           | 21            |
| 2027                | 41           | 47            |
| 2028                | 17           | 24            |
| 2029                | (7)          | -             |
|                     | <u>\$ 66</u> | <u>\$ 129</u> |

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**Aggregate OPEB RHP, GLI and HIC Inflows and Outflows**

For the years ended June 30, 2025 and 2024, 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<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|-------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Year ended June 30, 2025:                                         |                                      |                                     |
| Differences between expected and actual experience                | \$ 5,971                             | \$ 13,483                           |
| Net diff bet projected and actual earnings on program investments | -                                    | 3,354                               |
| Changes in proportion                                             | 93                                   | 103                                 |
| Change in assumptions                                             | 3,008                                | 3,975                               |
| Employer contributions subsequent to the measurement date         | 499                                  | -                                   |
| Total                                                             | <u>\$ 9,571</u>                      | <u>\$ 20,915</u>                    |
| 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                                 |
| Change in assumptions                                             | 35                                   | 140                                 |
| Changes in proportion                                             | 2,414                                | 4,938                               |
| Employer contributions subsequent to the measurement date         | 496                                  | -                                   |
| Total                                                             | <u>\$ 10,227</u>                     | <u>\$ 12,226</u>                    |

HRSD reported \$499,000 for FY 2025 and \$496,000 for FY 2024 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, 2026 and 2025, 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)             | 2025               | 2024              |
|----------------------------|--------------------|-------------------|
| <u>Years ended June 30</u> |                    |                   |
| 2025                       | \$ -               | (814)             |
| 2026                       | (557)              | 1,223             |
| 2027                       | (3,185)            | (1,409)           |
| 2028                       | (3,168)            | (1,390)           |
| 2029                       | (1,455)            | 322               |
| 2030                       | (1,296)            | (427)             |
| Thereafter                 | (2,182)            | -                 |
|                            | <u>\$ (11,843)</u> | <u>\$ (2,495)</u> |

HRSD reported a gain of \$24,566,000 for FY 2025 and an expense of \$1,167,000 for FY 2024 as combined OPEB gains and expenses related to the RHP, GLI and HIC OPEB plans as follows:

| (in thousands)             | 2025               | 2024            |
|----------------------------|--------------------|-----------------|
| <u>Years ended June 30</u> |                    |                 |
| RHP                        | (24,756)           | 921             |
| GLI                        | 61                 | 116             |
| HIC                        | 129                | 130             |
| Total OPEB (Gain) Expense  | <u>\$ (24,566)</u> | <u>\$ 1,167</u> |

In fiscal year 2025, \$23,758,000 of the reported RHP gain is related to the Special Item reported separately on the Statements of Revenues, Expenses and Changes in Net Position. See Note 16 Special Item for additional information.

Actuarial Methods and AssumptionsRHP

The total RHP OPEB liabilities were based on actuarial valuations as of July 1, 2024 and 2023, 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, 2025 and 2024.

Year ended June 30, 2025 and 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            | SOA Pub-2010 General Employees Headcount-Weighted Mortality Table projected on a fully generational basis with mortality improvement scale MP-2021         |

GLI

The total GLI OPEB Liability was based on an actuarial valuation as of June 30, 2023, 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, 2024.

Year ended June 30, 2024:

|                                       |                                                               |
|---------------------------------------|---------------------------------------------------------------|
| 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; 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, 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.                                                                 |

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The actuarial assumptions used in the June 30, 2023, 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, 2024 and June 30, 2023 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, 2023, 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, 2024.

Year ending June 30, 2024:

|                                       |                                                               |
|---------------------------------------|---------------------------------------------------------------|
| 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, 2024 were the same as June 30, 2023.

The actuarial assumptions used in the June 30, 2023, 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, 2024 were the same as June 30, 2023.

Long-Term Expected Rate of ReturnRHP

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, 2025

| <u>Asset Class (Strategy)</u>  | <u>Target<br/>Allocation</u> | <u>Arithmetic<br/>Long-Term<br/>Expected<br/>Rate of Return</u> | <u>Weighted Average<br/>Long-Term<br/>Expected<br/>Rate of Return</u> |
|--------------------------------|------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------------|
| Domestic Equity                | 48.00%                       | 5.62%                                                           | 2.70%                                                                 |
| International Developed Equity | 12.00%                       | 6.99%                                                           | 0.84%                                                                 |
| Core Fixed                     | 31.00%                       | 2.20%                                                           | 0.68%                                                                 |
| High Yield                     | 5.00%                        | 3.94%                                                           | 0.20%                                                                 |
| Core Real Estate               | 4.00%                        | 6.18%                                                           | 0.24%                                                                 |
| Total                          | 100.00%                      |                                                                 | 4.66%                                                                 |
|                                |                              | Inflation                                                       | 2.50%                                                                 |
|                                |                              | * Expected arithmetic nominal return                            | 7.16%                                                                 |

\* The above allocation provides a one-year return of 7.16%. 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, 2024

| <u>Asset Class (Strategy)</u>         | <u>Target<br/>Allocation</u> | <u>Geometric<br/>Long-Term<br/>Expected<br/>Rate of Return</u> | <u>Weighted Average<br/>Long-Term<br/>Expected<br/>Rate of Return</u> |
|---------------------------------------|------------------------------|----------------------------------------------------------------|-----------------------------------------------------------------------|
| 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.

## NOTES TO THE FINANCIAL STATEMENTS

## 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, 2025

| Asset Class (Strategy)               | Target Allocation | Arithmetic Long-Term Expected Rate of Return | Weighted Average Long-Term Expected Rate of Return * |
|--------------------------------------|-------------------|----------------------------------------------|------------------------------------------------------|
| Public Equity                        | 32.00%            | 6.70%                                        | 2.14%                                                |
| Fixed Income                         | 16.00%            | 5.40%                                        | 0.86%                                                |
| Credit Strategies                    | 16.00%            | 8.10%                                        | 1.30%                                                |
| Real Assets                          | 15.00%            | 7.20%                                        | 1.08%                                                |
| Private Equity                       | 15.00%            | 8.70%                                        | 1.31%                                                |
| PIP-Private Investment Partnership   | 1.00%             | 8.00%                                        | 0.08%                                                |
| Diversifying Strategies              | 6.00%             | 5.80%                                        | 0.35%                                                |
| Cash                                 | 2.00%             | 3.00%                                        | 0.06%                                                |
| Leverage                             | (3.00%)           | 3.50%                                        | (0.11%)                                              |
| Total                                | 100.00%           |                                              | 7.07%                                                |
| * Expected arithmetic nominal return |                   |                                              | 7.07%                                                |

\* The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). 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 7.10%, 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, 2024

| Asset Class (Strategy)               | Target 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 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%.

Discount RatesRHP

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 percent as of June 30, 2024 and 2023. 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, 2024 and 2023, the rate contributed by the entity for GLI was 113 percent and HIC was 100 percent of the actuarially determined contribution rate. From July 1, 2024 on, employers are assumed to continue to contribute 100 percent 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 LiabilityRHP

HRSD's net RHP OPEB liability was measured as of June 30, 2025 and 2024, using a June 30, 2024 and 2023 valuation, which has been rolled forward to the June 30, 2025 and 2024 measurement date.

| (in thousands)                                                | Total RHP<br>OPEB Liability<br>(a) | Plan Fiduciary<br>Net Position<br>(b) | Net RHP<br>OPEB Liability<br>(a) - (b) |
|---------------------------------------------------------------|------------------------------------|---------------------------------------|----------------------------------------|
| <b>RHP OPEB Liability Balances at June 30, 2023</b>           | <b>\$ 76,476</b>                   | <b>\$ 67,423</b>                      | <b>\$ 9,053</b>                        |
| 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)                                |
| <b>RHP OPEB Liability Balances at June 30, 2024</b>           | <b>\$ 79,560</b>                   | <b>\$ 75,757</b>                      | <b>\$ 3,803</b>                        |
| Changes for the year - Increase (Decrease):                   |                                    |                                       |                                        |
| Service cost                                                  | 1,338                              | -                                     | 1,338                                  |
| Interest                                                      | 4,754                              | -                                     | 4,754                                  |
| Changes of benefit terms                                      | (23,758)                           | -                                     | (23,758)                               |
| Changes of assumptions                                        | 1,133                              | -                                     | 1,133                                  |
| Difference between expected and actual experience             | (9,426)                            | -                                     | (9,426)                                |
| Net investment income                                         | -                                  | 8,248                                 | (8,248)                                |
| Benefit payments, including refunds of employee contributions | (1,559)                            | (1,559)                               | -                                      |
| Net changes                                                   | (27,518)                           | 6,689                                 | (34,207)                               |
| <b>RHP OPEB Liability (Asset) Balances at June 30, 2025</b>   | <b>\$ 52,042</b>                   | <b>\$ 82,446</b>                      | <b>\$ (30,404)</b>                     |

RHP fiduciary net position as a percentage of the total RHP OPEB liability was 158.42% and 95.22% as of June 30, 2025 and 2024, respectively.

## NOTES TO THE FINANCIAL STATEMENTS

**GLI**

HRSD's net GLI OPEB liability represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement dates of June 30, 2024 and 2023, net OPEB liability amounts for the GLI Program are as follows:

| (in thousands)              | 2024                | 2023                |
|-----------------------------|---------------------|---------------------|
| Total GLI OPEB Liability    | \$ 4,196,055        | \$ 3,907,052        |
| Plan Fiduciary Net Position | 3,080,133           | 2,707,739           |
| Net GLI OPEB Liability      | <u>\$ 1,115,922</u> | <u>\$ 1,199,313</u> |

Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability: 73.41% 69.30%

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, 2024 and 2023. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2023 and 2022, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024 and 2023.

| (in thousands)                                                | Total HIC<br>OPEB Liability<br>(a) | Plan Fiduciary<br>Net Position<br>(b) | Net HIC<br>OPEB Liability<br>(a) - (b) |
|---------------------------------------------------------------|------------------------------------|---------------------------------------|----------------------------------------|
| <b>HIC OPEB Liability Balances at June 30, 2022</b>           | <b>\$ 2,241</b>                    | <b>\$ 1,108</b>                       | <b>\$ 1,133</b>                        |
| 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                                     |
| <b>HIC OPEB Liability Balances at June 30, 2023</b>           | <b>\$ 2,351</b>                    | <b>\$ 1,135</b>                       | <b>\$ 1,216</b>                        |
| Changes for the year - Increase (Decrease):                   |                                    |                                       |                                        |
| Service cost                                                  | 19                                 | -                                     | 19                                     |
| Interest                                                      | 154                                | -                                     | 154                                    |
| Difference between expected and actual experience             | (5)                                | -                                     | (5)                                    |
| Contributions - employer                                      | -                                  | 139                                   | (139)                                  |
| Net investment income                                         | -                                  | 104                                   | (104)                                  |
| Benefit payments, including refunds of employee contributions | (167)                              | (167)                                 | -                                      |
| Administrative expense                                        | -                                  | (1)                                   | 1                                      |
| Net changes                                                   | 1                                  | 75                                    | (74)                                   |
| <b>HIC OPEB Liability Balances at June 30, 2024</b>           | <b>\$ 2,352</b>                    | <b>\$ 1,210</b>                       | <b>\$ 1,142</b>                        |

### 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<br>5.00% | Current Rate<br>6.00% | 1% Increase<br>7.00% |
| Net RHP OPEB Liability/(Asset) (in thousands) |                      |                       |                      |
| Year ended June 30, 2025                      | \$ (23,238)          | \$ (30,404)           | \$ (36,318)          |
| Year ended June 30, 2024                      | 16,411               | 3,803                 | (6,350)              |

The following table presents the net RHP OPEB liability (asset) using the Trend rate, 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 or one percentage point higher than the current healthcare cost trend rate:

| <u>RHP Ultimate Trend</u>                     | RHP - Healthcare Cost Trend Rate |                       |                      |
|-----------------------------------------------|----------------------------------|-----------------------|----------------------|
|                                               | 1% Decrease<br>2.92%             | Current Rate<br>3.92% | 1% Increase<br>4.92% |
| Year ended June 30, 2025 rates:               |                                  |                       |                      |
| Net RHP OPEB Asset (in thousands)             | \$ (37,452)                      | \$ (30,404)           | \$ (21,605)          |
| Year ended June 30, 2024 rates:               | 2.94%                            | 3.94%                 | 4.94%                |
| Net RHP OPEB Liability/(Asset) (in thousands) | \$ (7,724)                       | \$ 3,803              | \$ 18,423            |

#### 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<br>5.75% | Current Rate<br>6.75% | 1% Increase<br>7.75% |
| GLI Net OPEB Liability (in thousands) |                      |                       |                      |
| Year ended June 30, 2025              | \$ 4,466             | \$ 2,872              | \$ 1,584             |
| Year ended June 30, 2024              | 4,450                | 3,002                 | 1,832                |

#### 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<br>5.75% | Current Rate<br>6.75% | 1% Increase<br>7.75% |
| HIC Net OPEB Liability (in thousands) |                      |                       |                      |
| Year ended June 30, 2025              | \$ 1,383             | \$ 1,142              | \$ 937               |
| Year ended June 30, 2024              | 1,461                | 1,216                 | 1,008                |

## NOTES TO THE FINANCIAL STATEMENTS

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 2024 *Annual Comprehensive Financial Report*. A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at [VRS Annual Comprehensive Financial Report for Fiscal Year 2024](#) or by writing to VRS'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

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.

#### Employees Covered by Benefit Terms

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

|                            | 2023  | 2022  |
|----------------------------|-------|-------|
| Number of:                 |       |       |
| Retirees and Beneficiaries | 509   | 491   |
| Inactive Members Vested    | 120   | 120   |
| Inactive Members Nonvested | 199   | 177   |
| Active Elsewhere in VRS    | 93    | 81    |
| Active Employees           | 830   | 774   |
| Total                      | 1,751 | 1,643 |

#### 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, 2025 was 7.72% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023.

This rate, when combined with employee contributions, 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 to the pension plan from HRSD were \$5,650,000 and \$3,928,000 for the years ended June 30, 2025 and 2024, respectively.

#### Net Pension Liability

The 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, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2023, rolled forward to the measurement date of June 30, 2024.

**NOTES TO THE FINANCIAL STATEMENTS**

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, 2023, 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, 2024.

Year ended June 30, 2024

|                                       |                                                                     |
|---------------------------------------|---------------------------------------------------------------------|
| 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 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       | Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates                                                      |

Note: Assumptions for measurement date June 30, 2024 were the same as June 30, 2023.

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Year ended June 30, 2024

|                                                                              |                                                                                                                                                        |
|------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mortality Rates-<br>Pre-retirement, post-retirement healthy,<br>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, 2024 were the same as June 30, 2023.

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, 2024             |                                      |                                                       |                                                             |
|--------------------------------------|--------------------------------------|-------------------------------------------------------|-------------------------------------------------------------|
| Asset Class (Strategy)               | Long-Term Target<br>Asset Allocation | Arithmetic<br>Long-Term<br>Expected<br>Rate of Return | Weighted Average<br>Long-Term<br>Expected<br>Rate of Return |
| Public equity                        | 32.00%                               | 6.70%                                                 | 2.14%                                                       |
| Fixed income                         | 16.00%                               | 5.40%                                                 | 0.86%                                                       |
| Credit strategies                    | 16.00%                               | 8.10%                                                 | 1.30%                                                       |
| Real assets                          | 15.00%                               | 7.20%                                                 | 1.08%                                                       |
| Private equity                       | 15.00%                               | 8.70%                                                 | 1.31%                                                       |
| PIP - Private Investment Partnership | 1.00%                                | 8.00%                                                 | 0.08%                                                       |
| Diversifying Strategies              | 6.00%                                | 5.80%                                                 | 0.35%                                                       |
| Cash                                 | 2.00%                                | 3.00%                                                 | 0.06%                                                       |
| Leverage                             | (3.00%)                              | 3.50%                                                 | (0.11%)                                                     |
| Total                                | 100.00%                              |                                                       | 7.07%                                                       |
| * Expected arithmetic nominal return |                                      |                                                       | 7.07%                                                       |

\* The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). 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 VRS, 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 7.10%, 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              |                                      |                                                       |                                                               |
|---------------------------------------|--------------------------------------|-------------------------------------------------------|---------------------------------------------------------------|
| Asset Class (Strategy)                | Long-Term Target<br>Asset Allocation | Arithmetic<br>Long-Term<br>Expected<br>Rate of Return | Weighted Average<br>Long-Term<br>Expected<br>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 VRS, 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%.

## NOTES TO THE FINANCIAL STATEMENTS

### Discount Rate

The discount rate used to measure the total pension liability was 6.75 percent. 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. For the year ended June 30, 2024, the alternate rate was the employer contribution rate is 100 percent of the actuarially determined employer contribution rate from the June 30, 2023, actuarial valuations. From July 1, 2024, on, participating employers are assumed to continue to contribute 100 percent 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<br>Liability<br>(a) | Plan Fiduciary<br>Net Position<br>(b) | Net Pension<br>Liability<br>(a) - (b) |
|---------------------------------------------------------------|-----------------------------------|---------------------------------------|---------------------------------------|
| <b>Pension Liability Balances at June 30, 2022</b>            | <b>\$ 277,575</b>                 | <b>\$ 259,238</b>                     | <b>\$ 18,337</b>                      |
| 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                                |
| <b>Pension Liability Balances at June 30, 2023</b>            | <b>\$ 296,501</b>                 | <b>\$ 267,893</b>                     | <b>\$ 28,608</b>                      |
| Changes for the year - Increase (Decrease):                   |                                   |                                       |                                       |
| Service cost                                                  | 4,538                             | -                                     | 4,538                                 |
| Interest                                                      | 19,827                            | -                                     | 19,827                                |
| Difference between expected and actual experience             | 11,603                            | -                                     | 11,603                                |
| Contributions - employer                                      | -                                 | 3,928                                 | (3,928)                               |
| Contributions - employee                                      | -                                 | 3,068                                 | (3,068)                               |
| Net investment income                                         | -                                 | 25,740                                | (25,740)                              |
| Benefit payments, including refunds of employee contributions | (14,597)                          | (14,597)                              | -                                     |
| Administrative expense                                        | -                                 | (175)                                 | 175                                   |
| Other changes                                                 | -                                 | 4                                     | (4)                                   |
| Net changes                                                   | 21,371                            | 17,968                                | 3,403                                 |
| <b>Pension Liability Balances at June 30, 2024</b>            | <b>\$ 317,872</b>                 | <b>\$ 285,861</b>                     | <b>\$ 32,011</b>                      |

### 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<br>5.75% | Current Discount<br>6.75% | 1% Increase<br>7.75% |
|----------------------------------------------|----------------------|---------------------------|----------------------|
| Pension Discount Rate                        |                      |                           |                      |
| Year ended June 30, 2025                     | \$ 74,921            | \$ 32,011                 | \$ (2,882)           |
| Year ended June 30, 2024                     | 69,805               | 28,608                    | (4,899)              |

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

HRSD recognized pension expense of \$6,511,000 and \$5,239,000 for the years ended June 30, 2025 and 2024, respectively. At June 30, 2025 and 2024, HRSD reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| (in thousands)                                                    | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|-------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Year ended June 30, 2025:                                         |                                      |                                     |
| Differences between expected and actual experience                | \$ 12,863                            | \$ -                                |
| Net diff bet projected and actual earnings on program investments | -                                    | 7,543                               |
| Employer contributions subsequent to the measurement date         | 5,650                                | -                                   |
| Total                                                             | <u>\$ 18,513</u>                     | <u>\$ 7,543</u>                     |
| 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>                     |

HRSD reported \$5,650,000 and \$3,928,000 as of June 30, 2026 and 2025, 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, 2026 and 2025, 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)             |                 |                 |
|----------------------------|-----------------|-----------------|
| <u>Years ended June 30</u> | <u>2025</u>     | <u>2024</u>     |
| 2026                       | \$ -            | 1,151           |
| 2027                       | (451)           | (2,163)         |
| 2028                       | 7,079           | 5,367           |
| 2029                       | 276             | 145             |
| 2030                       | (1,584)         | -               |
|                            | <u>\$ 5,320</u> | <u>\$ 4,500</u> |

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2024 Annual Report. A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/media/shared/pdf/publications/2024-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

## NOTES TO THE FINANCIAL STATEMENTS

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

On 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. June 30, 2022, HRSD entered into a Second Amended and Restated Credit Agreement. A Second Amendment to the Second Amended and Restated Credit Agreement was entered into April 9, 2024. Pursuant to the Third Amendment to Second Amended and Restated Credit agreement, dated June 5, 2025, the maximum outstanding authorization on the LOC was \$300,000,000.

Interest on advances is payable monthly at a fluctuating rate per annum. The monthly interest rate is calculated based on the equal to the sum of 80 percent of Daily Secured Overnight Financing Rate (SORF) or 80 percent of term SOFR rate, and 41 basis points.

At June 30, 2025 and 2024, the principal balance in the BOA line of credit was \$92,462,000 and \$100,000,000, respectively. The remaining available balance at June 30, 2025 and 2024, respectively was \$207,538,000 and \$200,000,000. 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

In fiscal year 2025, HRSD sold \$240,775,000 of Wastewater Revenue Bonds, Series 2024B, to fund various capital projects. The bonds were sold at an overall interest rate of 4.15 percent and will be repaid through 2054. With HRSD's issuance of Wastewater Revenue Bond, Series 2024A, in fiscal year 2024, HRSD fully discharged all bond debt previously identified as senior lien obligations. With no bond debt priority, all bond debt is now identified as senior obligations.

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, 2025 and 2024 was \$742,350,000 and \$526,950,000, respectively.

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, 2025, the bonds have been successfully remarketed by the Remarketing Agent. The interest rate for the bonds at June 30, 2025 and 2024 was 2.97% and 3.45%, respectively. The 2025 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, 2025 and 2024, was \$374,168,000 and \$366,890,000, respectively.

Water Infrastructure Finance and Innovation Act (WIFIA)

WIFIA established 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. On September 30, 2024, HRSD entered into a new MFA with the WIFIA program and closed on Tranche 3 for \$268,088,000 at 4.19 percent. To date, there are no draws on the WIFIA Tranche 3 loan. A liability is recognized when funds are drawn to reimburse HRSD for eligible expenses. The principal outstanding WIFIA balance as of June 30, 2025, was \$690,732,000 and \$400,483,000 as of June 30, 2024.

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<br>6/30/2023 |            |              | Balance at<br>6/30/2024 |            |             | Balance at<br>6/30/2025 | Due within<br>One year |
|------------------------------|-------------------------|------------|--------------|-------------------------|------------|-------------|-------------------------|------------------------|
|                              |                         | Additions  | Deductions   |                         | Additions  | Deductions  |                         |                        |
| <b>BONDS</b>                 |                         |            |              |                         |            |             |                         |                        |
| Series-2009B                 | \$ 103,710              | \$ -       | \$ (103,710) | \$ -                    | \$ -       | \$ -        | \$ -                    | \$ -                   |
| Series-2014A                 | 38,565                  | -          | (38,565)     | -                       | -          | -           | -                       | -                      |
| Series-2016A                 | 83,680                  | -          | (3,235)      | 80,445                  | -          | (3,405)     | 77,040                  | 3,985                  |
| Series-2016B VR              | 50,000                  | -          | -            | 50,000                  | -          | -           | 50,000                  | 50,000                 |
| Series-2017A                 | 72,055                  | -          | -            | 72,055                  | -          | -           | 72,055                  | -                      |
| Series-2018A                 | 17,215                  | -          | (1,205)      | 16,010                  | -          | (1,265)     | 14,745                  | 1,330                  |
| Series-2019A                 | 196,190                 | -          | (3,335)      | 192,855                 | -          | (3,390)     | 189,465                 | 3,455                  |
| Series-2024A                 | -                       | 115,585    | -            | 115,585                 | -          | (17,315)    | 98,270                  | 17,120                 |
| Series-2024B                 | -                       | -          | -            | -                       | 240,775    | -           | 240,775                 | -                      |
| <b>WIFIA</b>                 |                         |            |              |                         |            |             |                         |                        |
| WIFIA-Tranche 1              | 80,180                  | 118,553    | -            | 198,733                 | 27,132     | (110)       | 225,755                 | 226                    |
| WIFIA-Tranche 2              | -                       | 201,750    | -            | 201,750                 | 263,227    | -           | 464,977                 | -                      |
| <b>VRA</b>                   |                         |            |              |                         |            |             |                         |                        |
| VRA - AB Generator           | 229                     | -          | (75)         | 154                     | -          | (76)        | 78                      | 78                     |
| VRA - Atlantic Expansion     | 1,792                   | -          | (442)        | 1,350                   | -          | (445)       | 905                     | 450                    |
| VRA - Ches-Eliz Expansion    | 9,790                   | -          | (2,411)      | 7,379                   | -          | (2,435)     | 4,944                   | 2,459                  |
| VRA - Williamsburg PS        | 437                     | -          | (95)         | 342                     | -          | (97)        | 245                     | 97                     |
| VRA - York River Expansion   | 14,182                  | -          | (1,610)      | 12,572                  | -          | (1,654)     | 10,918                  | 1,699                  |
| VRA - JRTP                   | 6,126                   | -          | (770)        | 5,356                   | -          | (784)       | 4,572                   | 798                    |
| VRA - NTP                    | 9,219                   | -          | (1,081)      | 8,138                   | -          | (1,102)     | 7,036                   | 1,121                  |
| VRA - Metering               | 4,760                   | -          | (558)        | 4,202                   | -          | (569)       | 3,633                   | 579                    |
| VRA - ABTP                   | 27,141                  | -          | (2,616)      | 24,525                  | -          | (2,670)     | 21,855                  | 2,725                  |
| VRA - WTP                    | 2,713                   | -          | (315)        | 2,398                   | -          | (322)       | 2,076                   | 329                    |
| VRA - BHTP                   | 3,710                   | -          | (404)        | 3,306                   | -          | (412)       | 2,894                   | 421                    |
| VRA - ATP                    | 3,592                   | -          | (341)        | 3,251                   | -          | (345)       | 2,906                   | 349                    |
| VRA - Rodman                 | 923                     | -          | (38)         | 885                     | -          | (38)        | 847                     | 40                     |
| VRA - BHTP Switchgear        | 6,871                   | -          | (384)        | 6,487                   | -          | (392)       | 6,095                   | 399                    |
| VRA - Lucas                  | 2,593                   | -          | (93)         | 2,500                   | -          | (95)        | 2,405                   | 98                     |
| VRA - Ferguson               | 736                     | -          | (31)         | 705                     | -          | (32)        | 673                     | 33                     |
| VRA - Huxley                 | 3,500                   | -          | (183)        | 3,317                   | -          | (186)       | 3,131                   | 188                    |
| VRA - Atlantic               | 54,463                  | -          | (1,839)      | 52,624                  | -          | (11,652)    | 40,972                  | 2,082                  |
| VRA - Deep Creek IFM         | 4,529                   | -          | (234)        | 4,295                   | -          | (237)       | 4,058                   | 240                    |
| VRA - Orcutt Ave and Mercury | 7,389                   | -          | (238)        | 7,151                   | -          | (245)       | 6,906                   | 252                    |
| VRA - TP Dewatering          | 3,165                   | -          | (164)        | 3,001                   | -          | (166)       | 2,835                   | 168                    |
| VRA - ES*                    | 18,008                  | 6,975      | (4,937)      | 20,046                  | -          | (1,245)     | 18,801                  | 1,198                  |
| VRA - Group Loan             | 97,692                  | -          | (4,629)      | 93,063                  | -          | (4,683)     | 88,380                  | 4,736                  |
| VRA - 2022 Projects          | 40,868                  | 58,904     | -            | 99,772                  | 229        | (4,539)     | 95,462                  | 4,596                  |
| VRA - 2024 Projects          | -                       | 71         | -            | 71                      | 41,470     | -           | 41,541                  | -                      |
| Total                        | 966,023                 | 501,838    | (173,538)    | 1,294,323               | 572,833    | (59,906)    | 1,807,250               | 101,251                |
| Unamortized Bond Premium     | 13,719                  | 12,463     | (3,060)      | 23,122                  | 28,396     | (4,446)     | 47,072                  |                        |
| Total Bonds Payable          | 979,742                 | 514,301    | (176,598)    | 1,317,445               | 601,229    | (64,352)    | 1,854,322               | 101,251                |
| Notes Payable                | 68,580                  | 31,420     | -            | 100,000                 | -          | (7,538)     | 92,462                  | 92,462                 |
| Total Outstanding Debt       | \$ 1,048,322            | \$ 545,721 | \$ (176,598) | \$ 1,417,445            | \$ 601,229 | \$ (71,890) | \$ 1,946,784            | \$ 193,713             |

**NOTES TO THE FINANCIAL STATEMENTS**

Senior bonds outstanding at June 30, 2025:

| (in thousands)               | Issue      | Principal Outstanding |            |              | Interest to | Interest                        | Duration | Final Maturity    |
|------------------------------|------------|-----------------------|------------|--------------|-------------|---------------------------------|----------|-------------------|
|                              | Amount     | Total                 | Current    | Long-Term    | Maturity    | Rates                           | of Issue |                   |
| Series-2016A                 | \$ 246,845 | \$ 77,040             | \$ 3,985   | \$ 73,055    | \$ 18,884   | 3.00% - 5.00%                   | 20 years | August 1, 2036    |
| Series-2017A                 | 83,485     | 72,055                | -          | 72,055       | 30,301      | 3.50% - 5.00%                   | 26 years | October 1, 2043   |
| Series-2018A                 | 63,185     | 14,745                | 1,330      | 13,415       | 3,562       | 5.00%                           | 15 years | October 1, 2033   |
| Series-2019A                 | 205,675    | 189,465               | 3,455      | 186,010      | 38,020      | 1.86% - 2.78%                   | 20 years | February 1, 2039  |
| Series-2024A                 | 115,585    | 98,270                | 17,120     | 81,150       | 36,058      | 5.00%                           | 15 years | November 1, 2039  |
| Series-2024B                 | 240,775    | 240,775               | -          | 240,775      | 243,296     | 5.00%                           | 30 years | July 1, 2054      |
| WIFIA-Tranche 1              | 225,866    | 225,755               | 226        | 225,529      | 94,357      | 1.40%                           | 40 years | April 1, 2060     |
| WIFIA-Tranche 2 *            | -          | 464,977               | -          | 464,977      | 245,711     | 1.95%                           | 40 years | April 1, 2060     |
| VRA - AB Generator           | 1,235      | 78                    | 78         | -            | 1           | 2.00%                           | 20 years | April 1, 2026     |
| VRA - Atlantic Expansion     | 7,340      | 905                   | 450        | 455          | 11          | 1.00%                           | 20 years | February 1, 2027  |
| VRA - Ches-Eliz Expansion    | 40,330     | 4,944                 | 2,459      | 2,485        | 62          | 1.00%                           | 20 years | June 1, 2027      |
| VRA - Williamsburg PS        | 1,605      | 245                   | 97         | 148          | 4           | 1.00%                           | 20 years | July 1, 2027      |
| VRA - York River Expansion   | 29,683     | 10,918                | 1,699      | 9,219        | 989         | 2.72%                           | 20 years | March 1, 2031     |
| VRA - JRTP                   | 13,431     | 4,572                 | 798        | 3,774        | 251         | 1.80%                           | 20 years | September 1, 2030 |
| VRA - NTP                    | 19,395     | 7,036                 | 1,121      | 5,915        | 418         | 1.80%                           | 20 years | March 1, 2031     |
| VRA - Metering               | 9,989      | 3,633                 | 579        | 3,054        | 216         | 1.80%                           | 20 years | March 1, 2031     |
| VRA - ABTP                   | 50,000     | 21,855                | 2,725      | 19,130       | 1,835       | 2.05%                           | 20 years | September 1, 2032 |
| VRA - WTP                    | 5,727      | 2,076                 | 329        | 1,747        | 141         | 2.05%                           | 20 years | March 1, 2031     |
| VRA - BHTP                   | 7,584      | 2,894                 | 421        | 2,473        | 212         | 2.05%                           | 20 years | September 1, 2031 |
| VRA - ATP                    | 6,318      | 2,906                 | 349        | 2,557        | 144         | 1.15%                           | 20 years | February 1, 2033  |
| VRA - Rodman                 | 1,096      | 847                   | 40         | 807          | 184         | 2.25%                           | 25 years | June 1, 2043      |
| VRA - BHTP Switchgear        | 7,619      | 6,095                 | 399        | 5,696        | 825         | 1.85%                           | 20 years | December 1, 2040  |
| VRA - Lucas                  | 2,949      | 2,405                 | 98         | 2,307        | 677         | 2.65%                           | 27 years | October 1, 2044   |
| VRA - Ferguson               | 866        | 673                   | 33         | 640          | 167         | 2.70%                           | 25 years | March 1, 2042     |
| VRA - Huxley                 | 3,868      | 3,131                 | 188        | 2,943        | 305         | 1.20%                           | 20 years | August 1, 2040    |
| VRA - Atlantic               | 57,149     | 40,972                | 2,082      | 38,890       | 8,164       | 2.25%                           | 30 years | March 1, 2046     |
| VRA - Deep Creek IFM         | 4,989      | 4,058                 | 240        | 3,818        | 401         | 1.20%                           | 20 years | December 1, 2040  |
| VRA - Orcutt Ave and Mercury | 7,968      | 6,906                 | 252        | 6,654        | 2,263       | 2.85%                           | 30 years | February 1, 2046  |
| VRA - TP Dewatering          | 3,498      | 2,835                 | 168        | 2,667        | 279         | 1.20%                           | 20 years | October 1, 2040   |
| VRA - ES *                   | -          | 18,801                | 1,198      | 17,603       | 3,018       | 1.30%                           | 20 years | October 1, 2043   |
| VRA - Group Loan             | 100,000    | 88,380                | 4,736      | 83,644       | 9,175       | 1.15%                           | 22 years | March 1, 2042     |
| VRA - 2022 Projects          | 100,000    | 95,462                | 4,596      | 90,866       | 12,247      | 1.30%                           | 20 years | December 1, 2043  |
| VRA - 2024 Projects *        | -          | 41,541                | -          | 41,541       | 16,434      | 2.20%                           | 20 years | December 1, 2045  |
| Total Fixed Bonds Payable    |            | 1,757,250             | 51,251     | 1,705,999    | 768,612     |                                 |          |                   |
| Unamortized Bonds Premium    |            | 47,072                | -          | 47,072       | -           |                                 |          |                   |
| Total                        |            | 1,804,322             | 51,251     | 1,753,071    | 768,612     |                                 |          |                   |
| Series-2016B VR              |            | 50,000                | 50,000     | -            | 31,393      | Variable 2.97%<br>June 30, 2025 | 30 years | August 1, 2046    |
| Total Bonds Payable          |            | 1,854,322             | 101,251    | 1,753,071    | 800,005     |                                 |          |                   |
| Notes Payable                |            | 92,462                | 92,462     | -            | -           | Variable 3.87%<br>June 30, 2025 |          |                   |
| Total Outstanding Debt       |            | \$ 1,946,784          | \$ 193,713 | \$ 1,753,071 | \$ 800,005  |                                 |          |                   |

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

## Maturities of senior bond principal and interest as of June 30, 2025:

| (in thousands)           |              |            |              |  |
|--------------------------|--------------|------------|--------------|--|
| June 30,                 | Principal    | Interest   | Total        |  |
| 2026                     | \$ 101,251   | \$ 39,068  | \$ 140,319   |  |
| 2027                     | 55,794       | 38,261     | 94,055       |  |
| 2028                     | 53,874       | 36,829     | 90,703       |  |
| 2029                     | 55,316       | 45,110     | 100,426      |  |
| 2030                     | 56,701       | 43,544     | 100,245      |  |
| 2031-2035                | 281,976      | 194,720    | 476,696      |  |
| 2036-2040                | 235,155      | 155,615    | 390,770      |  |
| 2041-2045                | 217,060      | 117,186    | 334,246      |  |
| 2046-2050                | 200,905      | 73,933     | 274,838      |  |
| 2051-2055                | 313,164      | 43,211     | 356,375      |  |
| 2056-2060                | 236,054      | 12,528     | 248,582      |  |
| Total                    | 1,807,250    | 800,005    | 2,607,255    |  |
| Unamortized Bond Premium | 47,072       | -          | 47,072       |  |
| Total                    | \$ 1,854,322 | \$ 800,005 | \$ 2,654,327 |  |

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, 2025, the following defeased bonds from advance refunding are still outstanding:

| Defeased in | Original Issue | Amount (in thousands) | Redemption |
|-------------|----------------|-----------------------|------------|
| 2017        | Series 2016A   | \$ 7,720              | 08/01/26   |
| 2019        | Series 2016A   | 24,395                | 08/01/26   |
| 2019        | Series 2016A   | 110,947               | 08/01/26   |
| 2019        | Series 2017A   | 11,732                | 10/01/27   |
| 2019        | Series 2018A   | 11,866                | 10/01/27   |
| 2019        | Series 2018A   | 30,915                | 10/01/27   |
| 2024        | Series 2014A   | 26,632                | 07/01/25   |
| Total       |                | \$ 224,207            |            |

**NOTE 10 – NET POSITION**Restricted Portion of Net Position

HRSD has three components of restricted net position: Debt service, Capital projects and Net OPEB asset. At June 30, 2025 and 2024, the total restricted net position was \$77,328,000 and \$22,307,000, respectively.

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, 2025 and 2024, \$1,423,000 and \$1,306,000, respectively, were contained in the unrestricted net position. HRSD was in compliance with all funding requirements of this reserve during the fiscal years ended June 30, 2025 and 2024.

*Reserved for Construction.* A reserve for the construction program is based on funds designated by HRSD's Commission for such purposes. At June 30, 2025 and 2024, \$171,857,000 and \$37,469,000, respectively, was contained in the unrestricted net position.

**NOTES TO THE FINANCIAL STATEMENTS**

**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<br>Fiscal Year | Estimated<br>Claims Incurred | Claims Paid | End of<br>Fiscal Year |
|----------------|-----------------------------|------------------------------|-------------|-----------------------|
| 2025           | \$ 7,532                    | \$ 12,314                    | \$ (17,844) | \$ 2,002              |
| 2024           | \$ 5,097                    | \$ 15,624                    | \$ (13,189) | \$ 7,532              |

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

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 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 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, 2025 and 2024, HRSD has outstanding commitments for contracts in progress of approximately \$1.28 billion and \$1.61 billion, respectively.

**NOTE 13 – FAIR VALUE MEASUREMENTS**

HRSD categorizes its fair value measurements within the fair value hierarchy established by GAAP. 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 a Trust Agreement as amended September 23, 2016.

Investments in the VIP fall within two primary funds, 1-3 Year High Quality Bond Fund and Stable NAV Liquidity Pool. The 1-3 High Quality Bond Fund redemptions are available twice a month and participants are required to provide 5 days' notice. Redemptions greater than \$5 million are requested to be submitted 60 days in advance and if the redemption is greater than 10% of the portfolio's net asset value without the 60 days' notice, the redemption can be executed over time. The Stable NAV Liquidity Pool has no restrictions on withdrawals and funds are available the same day.

HRSD's total investment in VIP 1-3 Year High Quality Bond Fund was \$69.60 million (valued at NAV) and \$65.92 million, as of June 30, 2025 and 2024, respectively. HRSD's total investment in VIP's Stable NAV Liquidity Pool (valued at NAV) was \$324.28 million and \$178.79 million as of June 30, 2025 and 2024, respectively. The Stable NAV Liquidity Pool was rated AAAM and the 1-3 Year High Quality Bond Fund was rated AA+f/S1 by Standard & Poor's (S&P) as of June 30, 2025.

The State Non-Arbitrage Program (SNAP) was the result of the Tax Reform Act of 1986 which placed arbitrage restrictions and reporting requirements on issuers of tax-exempt debt. The Virginia Legislature passed the Government Non-Arbitrage Investment Act in 1989 (Sections 2.2-4700 through 2.2-4705 of the Code of Virginia). The law authorized the Virginia Treasury Board to create the Virginia State Non-Arbitrage Program (SNAP). The Commonwealth of Virginia, counties, cities, and towns in the Commonwealth, and their agencies, institutions and authorities ("Virginia Issuers" or "Issuers") are all eligible to invest in the Program.

HRSD's SNAP fund balance as of June 30, 2025, was \$143.93 million (valued at amortized cost). There were no SNAP funds as of June 30, 2024. SNAP Fund Total S&P Rating was AAAM as of June 30, 2025.

See Note 3 for additional information.

**NOTES TO THE FINANCIAL STATEMENTS**

**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<br>June 30, 2025 | Level 1   | Level 2   | Level 3  |
|-----------------------------------------------------|-----------------------------|-----------|-----------|----------|
| <b>Investments by Fair Value Level</b>              |                             |           |           |          |
| Mutual Funds - Equity                               | \$ 51,626                   | \$ 47,353 | \$ 4,273  | -        |
| Mutual Funds - Fixed Income                         | 27,903                      | 7,807     | 20,096    |          |
| Real Return                                         | 2,554                       | -         | -         | 2,554    |
| Total Investments by Fair Value Level               | \$ 82,083                   | \$ 55,160 | \$ 24,369 | \$ 2,554 |
| <b>Cash Equivalents Measured at Net Asset Value</b> |                             |           |           |          |
| Money Market Funds                                  | 363                         |           |           |          |
| <b>Fiduciary Net Position of HRSD's OPEB</b>        | <u>\$ 82,446</u>            |           |           |          |
|                                                     |                             |           |           |          |
|                                                     | Balance at<br>June 30, 2024 | Level 1   | Level 2   | Level 3  |
| <b>Investments by Fair Value Level</b>              |                             |           |           |          |
| 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 |
| <b>Cash Equivalents Measured at Net Asset Value</b> |                             |           |           |          |
| First American Government Obligation                | 818                         |           |           |          |
| <b>Fiduciary Net Position of HRSD's OPEB</b>        | <u>\$ 75,757</u>            |           |           |          |

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, 2025 and 2024. 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 and do not qualify for inclusion. The RHP had total assets of \$82.4 million and \$75.8 million as of June 30, 2025 and 2024, 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, 2025 and 2024, HRSD did not receive any additional federal SLFRF-ARPA funds.

**NOTE 15 - CHANGE IN ACCOUNTING PRINCIPLE**

In fiscal year 2025, HRSD adopted a new GASB pronouncement, Statement No. 101, *Compensated Absences*. Statement No. 101 establishes standards of accounting and financial reporting by updating the recognition and measurement guidance for compensated absences. The statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash. This statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability.

The financial reporting impact from the implementation of Statement No. 101 resulted in the restatement of HRSD's Statement of Net Position for fiscal year ended June 30, 2024, and adjusted ending net position for year ended 2023. The change in the compensated leave liability is outlined below and incorporates the restatement.

(in thousands)

|       | FY 2023<br>Ending<br>Net Position | Net Compensated<br>Leave Liability<br>Adjustment | FY 2024<br>Restated Beginning<br>Net Position |
|-------|-----------------------------------|--------------------------------------------------|-----------------------------------------------|
| Total | \$ 1,177,022                      | \$ 7,394                                         | \$ 1,169,628                                  |

**NOTE 16 - SPECIAL ITEM**

In fiscal year 2025, HRSD changed the RHP OPEB benefit by requiring retirees participating in HRSD's employer sponsored Medicare Supplement Plan to move to an employer sponsored Medicare Advantage Plan. The effect of this change resulted in a one-time reduction in the OPEB expense of \$23,758,000.

**NOTE 17 - SUBSEQUENT EVENTS**

On July 24, 2025, HRSD issued \$223,860,000 of Subordinate Wastewater Revenue Bonds, Series 2025A. The Series 2025A Bonds interest rate (true interest cost) is 2.93 percent, with final maturity on July 15, 2026. The Series 2025A Bonds serve as interim financing to fund capital improvements during the construction period. HRSD is authorized to repay the Series 2025A Bonds at their maturity with the existing WIFIA Tranche 3 loan (interest rate of 4.15 percent), the issuance of long-term bonds, grants, or other funds. To date, there are no draws on the WIFIA Tranche 3 loan.



A close-up photograph of a metal faucet with water dripping from it. The water forms a series of droplets falling into a sink. The background is blurred, showing the sink and some blue objects.

# REQUIRED SUPPLEMENTARY INFORMATION<sub>(UNAUDITED)</sub>

ANNUAL COMPREHENSIVE FINANCIAL REPORT / HAMPTON ROADS SANITATION DISTRICT



# 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.

| <b>Contents</b>                                                                                                | <b>Page</b> |
|----------------------------------------------------------------------------------------------------------------|-------------|
| <b>Pension</b>                                                                                                 | <b>65</b>   |
| Schedule of Employer Pension Contributions and Schedule of Changes in Net Pension Liability and Related Ratios |             |
| <b>OPEB</b>                                                                                                    | <b>69</b>   |
| Schedule of Employer OPEB Contributions and Schedule of Changes in Net OPEB Liability and Related Ratios       |             |

See notes to required supplementary information



### SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS FOR THE YEARS ENDED JUNE 30, 2016 THROUGH 2025

| Date | Contractually<br>Required<br>Contribution | Contribution in<br>Relation to<br>Contractually<br>Required<br>Contribution | Contribution<br>Deficiency<br>(Excess) | Employer's<br>Covered Payroll | Contributions as a % of<br>Covered Payroll |
|------|-------------------------------------------|-----------------------------------------------------------------------------|----------------------------------------|-------------------------------|--------------------------------------------|
| 2025 | \$ 5,650,000                              | \$ 5,650,000                                                                | \$ -                                   | \$ 73,189,000                 | 7.72%                                      |
| 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%                                      |

#### Notes to Required Supplementary Information For the Year Ended June 30, 2025:

##### 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, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. 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<br>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/<br>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.

See notes to required supplementary information

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

| (in thousands)                                                                            | 2024              | 2023              | 2022              | 2021              | 2020              |
|-------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Total pension liability</b>                                                            |                   |                   |                   |                   |                   |
| Service cost                                                                              | \$ 4,538          | \$ 4,081          | \$ 3,833          | \$ 4,264          | \$ 4,229          |
| Interest                                                                                  | 19,827            | 18,537            | 18,012            | 16,787            | 16,223            |
| Changes of benefit terms                                                                  | -                 | -                 | -                 | 6,599             | -                 |
| Changes in assumptions                                                                    | -                 | -                 | -                 | -                 | -                 |
| Difference between expected and actual experience                                         | 11,603            | 10,377            | 44                | (266)             | (991)             |
| Benefit payments, including refunds of employee contributions                             | (14,597)          | (14,069)          | (14,637)          | (11,512)          | (10,696)          |
| <b>Net change in total pension liability</b>                                              | <b>21,371</b>     | <b>18,926</b>     | <b>7,252</b>      | <b>15,872</b>     | <b>8,765</b>      |
| <b>Total pension liability - beginning</b>                                                | <b>296,501</b>    | <b>277,575</b>    | <b>270,323</b>    | <b>254,451</b>    | <b>245,686</b>    |
| <b>Total pension liability - ending (a)</b>                                               | <b>\$ 317,872</b> | <b>\$ 296,501</b> | <b>\$ 277,575</b> | <b>\$ 270,323</b> | <b>\$ 254,451</b> |
| <b>Plan fiduciary net position</b>                                                        |                   |                   |                   |                   |                   |
| Contributions - employer                                                                  | \$ 3,928          | \$ 3,592          | \$ 3,440          | \$ 3,453          | \$ 2,897          |
| Contributions - employee                                                                  | 3,068             | 2,787             | 2,578             | 2,569             | 2,538             |
| Net investment income                                                                     | 25,740            | 16,506            | (140)             | 58,456            | 4,115             |
| Benefit payments, including refunds of employee contributions                             | (14,597)          | (14,069)          | (14,637)          | (11,512)          | (10,696)          |
| Administrative expense                                                                    | (175)             | (168)             | (169)             | (147)             | (142)             |
| Other                                                                                     | 4                 | 7                 | 6                 | 6                 | (5)               |
| <b>Net change in plan fiduciary net position</b>                                          | <b>17,968</b>     | <b>8,655</b>      | <b>(8,922)</b>    | <b>52,825</b>     | <b>(1,293)</b>    |
| <b>Plan fiduciary net position - beginning</b>                                            | <b>267,893</b>    | <b>259,238</b>    | <b>268,160</b>    | <b>215,335</b>    | <b>216,628</b>    |
| <b>Plan fiduciary net position - ending (b)</b>                                           | <b>\$ 285,861</b> | <b>\$ 267,893</b> | <b>\$ 259,238</b> | <b>\$ 268,160</b> | <b>\$ 215,335</b> |
| <b>Net pension liability - ending (a) - (b)</b>                                           | <b>\$ 32,011</b>  | <b>\$ 28,608</b>  | <b>\$ 18,337</b>  | <b>\$ 2,163</b>   | <b>\$ 39,116</b>  |
| <b>Plan fiduciary net position as a percentage of the total pension liability (b)/(a)</b> | <b>89.93%</b>     | <b>90.35%</b>     | <b>93.39%</b>     | <b>99.20%</b>     | <b>84.63%</b>     |
| <b>Covered payroll ( c )</b>                                                              | <b>\$ 66,051</b>  | <b>\$ 58,965</b>  | <b>\$ 54,750</b>  | <b>\$ 54,107</b>  | <b>\$ 53,085</b>  |
| <b>Net pension liability as a percentage of the covered payroll ((a)-(b))/( c )</b>       | <b>48.46%</b>     | <b>48.52%</b>     | <b>33.49%</b>     | <b>4.00%</b>      | <b>73.69%</b>     |

(Continued)

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

(in thousands)

|                                                                                           | 2019              | 2018              | 2017              | 2016              | 2015              |
|-------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Total pension liability</b>                                                            |                   |                   |                   |                   |                   |
| Service cost                                                                              | \$ 3,946          | \$ 3,825          | \$ 4,145          | \$ 4,025          | \$ 4,115          |
| Interest                                                                                  | 15,598            | 14,953            | 14,750            | 13,872            | 13,559            |
| Changes of benefit terms                                                                  | -                 | -                 | -                 | -                 | -                 |
| Changes in assumptions                                                                    | 7,378             | -                 | (3,975)           | -                 | -                 |
| Difference between expected and actual experience                                         | 760               | (101)             | (3,175)           | 2,980             | (4,910)           |
| Benefit payments, including refunds of employee contributions                             | (9,655)           | (9,250)           | (8,475)           | (8,161)           | (8,446)           |
| <b>Net change in total pension liability</b>                                              | <b>18,027</b>     | <b>9,427</b>      | <b>3,270</b>      | <b>12,716</b>     | <b>4,318</b>      |
| <b>Total pension liability - beginning</b>                                                | <b>227,659</b>    | <b>218,232</b>    | <b>214,962</b>    | <b>202,246</b>    | <b>197,928</b>    |
| <b>Total pension liability - ending (a)</b>                                               | <b>\$ 245,686</b> | <b>\$ 227,659</b> | <b>\$ 218,232</b> | <b>\$ 214,962</b> | <b>\$ 202,246</b> |
| <b>Plan fiduciary net position</b>                                                        |                   |                   |                   |                   |                   |
| Contributions - employer                                                                  | \$ 2,866          | \$ 3,710          | \$ 3,609          | \$ 4,083          | \$ 4,099          |
| Contributions - employee                                                                  | 2,468             | 2,424             | 2,351             | 2,286             | 2,314             |
| Net investment income                                                                     | 13,739            | 14,451            | 21,526            | 3,062             | 7,807             |
| Benefit payments, including refunds of employee contributions                             | (9,655)           | (9,250)           | (8,475)           | (8,161)           | (8,446)           |
| Administrative expense                                                                    | (137)             | (125)             | (124)             | (109)             | (107)             |
| Other                                                                                     | (8)               | (12)              | (19)              | (1)               | (2)               |
| <b>Net change in plan fiduciary net position</b>                                          | <b>9,273</b>      | <b>11,198</b>     | <b>18,868</b>     | <b>1,160</b>      | <b>5,665</b>      |
| <b>Plan fiduciary net position - beginning</b>                                            | <b>207,355</b>    | <b>196,157</b>    | <b>177,289</b>    | <b>176,129</b>    | <b>170,464</b>    |
| <b>Plan fiduciary net position - ending (b)</b>                                           | <b>\$ 216,628</b> | <b>\$ 207,355</b> | <b>\$ 196,157</b> | <b>\$ 177,289</b> | <b>\$ 176,129</b> |
| <b>Net pension liability - ending (a) - (b)</b>                                           | <b>\$ 29,058</b>  | <b>\$ 20,304</b>  | <b>\$ 22,075</b>  | <b>\$ 37,673</b>  | <b>\$ 26,117</b>  |
| <b>Plan fiduciary net position as a percentage of the total pension liability (b)/(a)</b> | <b>88.17%</b>     | <b>91.08%</b>     | <b>89.88%</b>     | <b>82.47%</b>     | <b>87.09%</b>     |
| <b>Covered payroll ( c )</b>                                                              | <b>\$ 51,336</b>  | <b>\$ 50,874</b>  | <b>\$ 49,286</b>  | <b>\$ 47,838</b>  | <b>\$ 47,674</b>  |
| <b>Net pension liability as a percentage of the covered payroll ((a)-(b))/( c )</b>       | <b>56.60%</b>     | <b>39.91%</b>     | <b>44.79%</b>     | <b>78.75%</b>     | <b>54.78%</b>     |

See notes to required supplementary information



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### SCHEDULE OF EMPLOYER RHP OPEB CONTRIBUTIONS FOR THE YEARS ENDED JUNE 30, 2016 THROUGH 2025

| 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 |
|------|-------------------------------------|-------------------------------------------------------------------|----------------------------------|----------------------------|-----------------------------------------|
| 2025 | \$ -                                | \$ -                                                              | \$ -                             | 72,905,000                 | 0.00%                                   |
| 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%                                   |

#### Notes to Required Supplementary Information For the Year Ended June 30, 2025:

|                            |                                                                                                                                                                                                                    |
|----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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 fair 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                                                         |

See notes to required supplementary information

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

(in thousands)

|                                                                                        | 2025               | 2024             | 2023             | 2022             | 2021              |
|----------------------------------------------------------------------------------------|--------------------|------------------|------------------|------------------|-------------------|
| <b>Total OPEB liability</b>                                                            |                    |                  |                  |                  |                   |
| Service cost                                                                           | \$ 1,338           | \$ 1,274         | \$ 1,534         | \$ 1,435         | \$ 1,333          |
| Interest                                                                               | 4,754              | 4,533            | 4,398            | 4,052            | 3,672             |
| Changes of benefit terms                                                               | (23,758)           | -                | -                | -                | -                 |
| Changes in assumptions                                                                 | 1,133              | 2,599            | (5,285)          | -                | -                 |
| Differences between expected and actual experience                                     | (9,426)            | (3,472)          | 3,617            | 2,303            | 2,930             |
| Benefit payments, including refunds of employee contributions                          | (1,559)            | (1,850)          | (2,329)          | (1,902)          | (1,425)           |
| <b>Net change in total OPEB liability</b>                                              | <b>(27,518)</b>    | <b>3,084</b>     | <b>1,935</b>     | <b>5,888</b>     | <b>6,510</b>      |
| <b>Total OPEB liability - beginning</b>                                                | <b>79,560</b>      | <b>76,476</b>    | <b>74,541</b>    | <b>68,653</b>    | <b>62,143</b>     |
| <b>Total OPEB liability - ending (a)</b>                                               | <b>\$ 52,042</b>   | <b>\$ 79,560</b> | <b>\$ 76,476</b> | <b>\$ 74,541</b> | <b>\$ 68,653</b>  |
| <b>Plan fiduciary net position</b>                                                     |                    |                  |                  |                  |                   |
| Contributions - employer                                                               | \$ -               | \$ 1,914         | \$ 2,467         | \$ 2,260         | \$ 1,963          |
| Contributions - retirees                                                               | -                  | -                | -                | -                | -                 |
| Net investment income                                                                  | 8,248              | 8,270            | 5,148            | (9,887)          | 14,216            |
| Benefit payments, including refunds of employee contributions                          | (1,559)            | (1,850)          | (2,329)          | (1,902)          | (1,425)           |
| Administrative expense                                                                 | -                  | -                | -                | -                | -                 |
| <b>Net change in plan fiduciary net position</b>                                       | <b>6,689</b>       | <b>8,334</b>     | <b>5,286</b>     | <b>(9,529)</b>   | <b>14,754</b>     |
| <b>Plan fiduciary net position - beginning</b>                                         | <b>75,757</b>      | <b>67,423</b>    | <b>62,137</b>    | <b>71,666</b>    | <b>56,912</b>     |
| <b>Plan fiduciary net position - ending (b)</b>                                        | <b>\$ 82,446</b>   | <b>\$ 75,757</b> | <b>\$ 67,423</b> | <b>\$ 62,137</b> | <b>\$ 71,666</b>  |
| <b>Net OPEB liability (asset) - ending (a) - (b)</b>                                   | <b>\$ (30,404)</b> | <b>\$ 3,803</b>  | <b>\$ 9,053</b>  | <b>\$ 12,404</b> | <b>\$ (3,013)</b> |
| <b>Plan fiduciary net position as a percentage of the total OPEB liability (b)/(a)</b> | <b>158.42%</b>     | <b>95.22%</b>    | <b>88.16%</b>    | <b>83.36%</b>    | <b>104.39%</b>    |
| <b>Covered payroll (c)</b>                                                             | <b>\$ 72,905</b>   | <b>\$ 65,575</b> | <b>\$ 58,965</b> | <b>\$ 55,853</b> | <b>\$ 55,731</b>  |
| <b>Net OPEB liability (asset) as a percentage of the covered payroll ((a)-(b))/(c)</b> | <b>(41.70%)</b>    | <b>5.80%</b>     | <b>15.35%</b>    | <b>22.21%</b>    | <b>(5.41%)</b>    |

(continued)

**Notes to Required Supplementary Information For the Year Ended June 30, 2025:**

## Benefit changes:

HRSD made several changes to the plans offered to retirees, including moving Medicare-eligible retirees to a Medicare Advantage plan.

The pre-Medicare retiree contribution and the pre and post-Medicare spousal contributions were lowered.

The eligibility requirements for the Plan were amended to allow for early retirement under VRS and eliminate the age 55 requirement.

The post-Medicare retiree contribution for spousal coverage was lowered from \$397 to \$235 per month.

## Changes of assumptions:

The healthcare cost trend assumption was updated based on the 2024 Getzen model released by the SOA and adjusted to reflect the expected impact of the Inflation Reduction Act.

The spousal election rate was increased for future retirees from 35% to 60% to reflect the expectation that more retirees will elect to cover their spouse as a result of the lower contribution required for spouses.

|               |           |       |
|---------------|-----------|-------|
| Discount rate | 6/30/2025 | 6.00% |
|---------------|-----------|-------|

See notes to required supplementary information

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

(in thousands)

|                                                                                        | 2020             | 2019             | 2018             | 2017             |
|----------------------------------------------------------------------------------------|------------------|------------------|------------------|------------------|
| <b>Total OPEB liability</b>                                                            |                  |                  |                  |                  |
| Service cost                                                                           | \$ 1,345         | \$ 1,300         | \$ 1,260         | \$ 1,188         |
| Interest                                                                               | 3,883            | 3,571            | 3,391            | 3,208            |
| Changes of benefit terms                                                               | -                | -                | -                | -                |
| Changes in assumptions                                                                 | (518)            | (1,607)          | -                | -                |
| Differences between expected and actual experience                                     | (7,074)          | 3,302            | -                | -                |
| Benefit payments, including refunds of employee contributions                          | (1,186)          | (1,149)          | (1,791)          | (892)            |
| <b>Net change in total OPEB liability</b>                                              | <b>(3,550)</b>   | <b>5,417</b>     | <b>2,860</b>     | <b>3,504</b>     |
| <b>Total OPEB liability - beginning</b>                                                | <b>65,693</b>    | <b>60,276</b>    | <b>57,416</b>    | <b>53,913</b>    |
| <b>Total OPEB liability - ending (a)</b>                                               | <b>\$ 62,143</b> | <b>\$ 65,693</b> | <b>\$ 60,276</b> | <b>\$ 57,417</b> |
| <b>Plan fiduciary net position</b>                                                     |                  |                  |                  |                  |
| Contributions - employer                                                               | \$ 2,730         | \$ 2,993         | \$ 2,729         | \$ 2,558         |
| Contributions - retirees                                                               | -                | -                | 303              | -                |
| Net investment income                                                                  | 3,343            | 3,078            | 3,450            | 3,957            |
| Benefit payments, including refunds of employee contributions                          | (1,186)          | (1,149)          | (1,791)          | (892)            |
| Administrative expense                                                                 | -                | -                | (114)            | (495)            |
| <b>Net change in plan fiduciary net position</b>                                       | <b>4,887</b>     | <b>4,922</b>     | <b>4,577</b>     | <b>5,128</b>     |
| <b>Plan fiduciary net position - beginning</b>                                         | <b>52,025</b>    | <b>47,103</b>    | <b>42,526</b>    | <b>37,398</b>    |
| <b>Plan fiduciary net position - ending (b)</b>                                        | <b>\$ 56,912</b> | <b>\$ 52,025</b> | <b>\$ 47,103</b> | <b>\$ 42,526</b> |
| <b>Net OPEB liability (asset) - ending (a) - (b)</b>                                   | <b>\$ 5,231</b>  | <b>\$ 13,668</b> | <b>\$ 13,173</b> | <b>\$ 14,891</b> |
| <b>Plan fiduciary net position as a percentage of the total OPEB liability (b)/(a)</b> | <b>91.58%</b>    | <b>79.19%</b>    | <b>78.15%</b>    | <b>74.07%</b>    |
| <b>Covered payroll (c)</b>                                                             | <b>\$ 54,799</b> | <b>\$ 52,070</b> | <b>\$ 50,874</b> | <b>\$ 49,286</b> |
| <b>Net OPEB liability (asset) as a percentage of the covered payroll ((a)-(b))/(c)</b> | <b>9.55%</b>     | <b>26.25%</b>    | <b>25.89%</b>    | <b>30.21%</b>    |

Note: 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.

See notes to required supplementary information

**SCHEDULE OF EMPLOYER GLI OPEB CONTRIBUTIONS  
FOR THE YEARS ENDED JUNE 30, 2016 THROUGH 2025**

| Date | Contractually<br>Required Contribution | Contribution<br>in Relation to<br>Contractually<br>Required Contribution | Contribution<br>Deficiency (Excess) | Employer's Covered<br>Payroll | Contributions as a %<br>of Covered Payroll |
|------|----------------------------------------|--------------------------------------------------------------------------|-------------------------------------|-------------------------------|--------------------------------------------|
| 2025 | \$ 345,000                             | \$ 345,000                                                               | \$ -                                | \$ 73,394,000                 | 0.47%                                      |
| 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%                                      |

**Notes to Required Supplementary Information For the Year Ended June 30, 2025:**

**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, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. 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<br>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/<br>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 2024**

(in thousands)

|                                                                                                     | 2024      | 2023      | 2022      | 2021      | 2020      | 2019      | 2018      | 2017      |
|-----------------------------------------------------------------------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Employer's Proportion of the Net GLI OPEB Liability                                                 | 0.2574%   | 0.2503%   | 0.2521%   | 0.2626%   | 0.2581%   | 0.2621%   | 0.2621%   | 0.2602%   |
| Employer's Proportionate Share of the Net GLI OPEB Liability                                        | \$ 2,872  | \$ 3,002  | \$ 3,035  | \$ 3,058  | \$ 4,307  | \$ 4,265  | \$ 3,981  | \$ 3,915  |
| Employer's Covered Payroll                                                                          | \$ 66,079 | \$ 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 | 4.35%     | 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                         | 73.41%    | 69.30%    | 67.21%    | 67.45%    | 52.64%    | 52.00%    | 51.22%    | 48.86%    |

Note: 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.

See notes to required supplementary information

**SCHEDULE OF EMPLOYER HIC OPEB CONTRIBUTIONS  
FOR THE YEARS ENDED JUNE 30, 2016 THROUGH 2025**

| Date | Contractually<br>Required Contribution | Contribution<br>in Relation to<br>Contractually<br>Required Contribution | Contribution<br>Deficiency (Excess) | Employer's Covered<br>Payroll | Contributions as a %<br>of Covered Payroll |
|------|----------------------------------------|--------------------------------------------------------------------------|-------------------------------------|-------------------------------|--------------------------------------------|
| 2025 | \$ 154,000                             | \$ 154,000                                                               | \$ -                                | \$ 73,189,000                 | 0.21%                                      |
| 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%                                      |

**Notes to Required Supplementary Information For the Year Ended June 30, 2025:**

**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, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. 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<br>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/<br>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)

|                                                                                        | 2024             | 2023             | 2022             | 2021             | 2020             | 2019             | 2018             | 2017             |
|----------------------------------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Total OPEB liability</b>                                                            |                  |                  |                  |                  |                  |                  |                  |                  |
| Service cost                                                                           | \$ 19            | \$ 18            | \$ 22            | \$ 28            | \$ 28            | \$ 26            | \$ 26            | 27               |
| Interest                                                                               | 154              | 147              | 145              | 140              | 137              | 134              | 130              | 129              |
| Changes in assumptions                                                                 | -                | -                | 88               | 15               | -                | 50               | -                | (22)             |
| Differences between expected and actual experience                                     | (5)              | 106              | (59)             | 5                | 16               | 26               | 27               | -                |
| Benefit payments, including refunds of employee contributions                          | (167)            | (161)            | (151)            | (137)            | (129)            | (124)            | (133)            | (94)             |
| <b>Net change in total OPEB liability</b>                                              | <b>1</b>         | <b>110</b>       | <b>45</b>        | <b>51</b>        | <b>52</b>        | <b>112</b>       | <b>50</b>        | <b>40</b>        |
| <b>Total OPEB liability - beginning</b>                                                | <b>2,351</b>     | <b>2,241</b>     | <b>2,196</b>     | <b>2,145</b>     | <b>2,093</b>     | <b>1,981</b>     | <b>1,931</b>     | <b>1,891</b>     |
| <b>Total OPEB liability - ending (a)</b>                                               | <b>\$ 2,352</b>  | <b>\$ 2,351</b>  | <b>\$ 2,241</b>  | <b>\$ 2,196</b>  | <b>\$ 2,145</b>  | <b>\$ 2,093</b>  | <b>\$ 1,981</b>  | <b>\$ 1,931</b>  |
| <b>Plan fiduciary net position</b>                                                     |                  |                  |                  |                  |                  |                  |                  |                  |
| Contributions - employer                                                               | \$ 139           | \$ 124           | \$ 115           | \$ 114           | \$ 111           | \$ 108           | \$ 95            | 91               |
| Net investment income                                                                  | 104              | 65               | 2                | 238              | 18               | 56               | 60               | 90               |
| Benefit payments, including refunds of employee contributions                          | (167)            | (161)            | (151)            | (137)            | (129)            | (124)            | (133)            | (94)             |
| Administrative expense                                                                 | (1)              | (1)              | (2)              | (3)              | (2)              | (1)              | (1)              | (1)              |
| Other                                                                                  | -                | -                | 9                | -                | -                | -                | (5)              | 4                |
| <b>Net change in plan fiduciary net position</b>                                       | <b>75</b>        | <b>27</b>        | <b>(27)</b>      | <b>212</b>       | <b>(2)</b>       | <b>39</b>        | <b>16</b>        | <b>90</b>        |
| <b>Plan fiduciary net position - beginning</b>                                         | <b>1,135</b>     | <b>1,108</b>     | <b>1,135</b>     | <b>923</b>       | <b>925</b>       | <b>886</b>       | <b>870</b>       | <b>780</b>       |
| <b>Plan fiduciary net position - ending (b)</b>                                        | <b>\$ 1,210</b>  | <b>\$ 1,135</b>  | <b>\$ 1,108</b>  | <b>\$ 1,135</b>  | <b>\$ 923</b>    | <b>\$ 925</b>    | <b>\$ 886</b>    | <b>\$ 870</b>    |
| <b>Net OPEB liability - ending (a) - (b)</b>                                           | <b>\$ 1,142</b>  | <b>\$ 1,216</b>  | <b>\$ 1,133</b>  | <b>\$ 1,061</b>  | <b>\$ 1,222</b>  | <b>\$ 1,168</b>  | <b>\$ 1,095</b>  | <b>\$ 1,061</b>  |
| <b>Plan fiduciary net position as a percentage of the total OPEB liability (b)/(a)</b> | <b>51.45%</b>    | <b>48.28%</b>    | <b>49.44%</b>    | <b>51.68%</b>    | <b>43.03%</b>    | <b>44.19%</b>    | <b>44.72%</b>    | <b>45.05%</b>    |
| <b>Covered payroll ( c )</b>                                                           | <b>\$ 66,051</b> | <b>\$ 58,965</b> | <b>\$ 54,750</b> | <b>\$ 54,107</b> | <b>\$ 53,085</b> | <b>\$ 51,336</b> | <b>\$ 49,821</b> | <b>\$ 47,987</b> |
| <b>Net OPEB liability as a percentage of the covered payroll ((a)-(b))/(c)</b>         | <b>1.73%</b>     | <b>2.06%</b>     | <b>2.07%</b>     | <b>1.96%</b>     | <b>2.30%</b>     | <b>2.28%</b>     | <b>2.20%</b>     | <b>2.21%</b>     |

Note: 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.

See notes to required supplementary information





# STATISTICAL SECTION<sub>(UNAUDITED)</sub>

ANNUAL COMPREHENSIVE FINANCIAL REPORT / HAMPTON ROADS SANITATION DISTRICT



# 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.

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|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| <b>Demographic and Economic Information</b>                                                                                                                                                                                   | <b>81</b>   |
| 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. |             |
| <b>Financial Trends</b>                                                                                                                                                                                                       | <b>82</b>   |
| These schedules contain trend information to help the reader understand how HRSD's financial performance and well-being have changed over time.                                                                               |             |
| <b>Debt Capacity</b>                                                                                                                                                                                                          | <b>85</b>   |
| 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.                                        |             |
| <b>Revenue Capacity</b>                                                                                                                                                                                                       | <b>86</b>   |
| These schedules contain information to help the reader assess the factors affecting HRSD's ability to generate revenue from rate payers.                                                                                      |             |
| <b>Operating Information</b>                                                                                                                                                                                                  | <b>88</b>   |
| 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.



### DEMOGRAPHIC AND OTHER MISCELLANEOUS STATISTICS FOR THE LAST TEN FISCAL YEARS

|                                                   | 2025  | 2024  | 2023  | 2022  | 2021  | 2020  | 2019  | 2018  | 2017  | 2016  |
|---------------------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Date of Incorporation - 1940                      | 4,998 | 4,998 | 4,998 | 4,998 | 4,998 | 3,087 | 3,087 | 3,087 | 3,087 | 2,808 |
| Area in Square Miles (1)                          | 768   | 766   | 766   | 766   | 766   | 758   | 758   | 758   | 758   | 672   |
| Present Service Area in Square Miles (1)          | 8     | 8     | 8     | 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  |
| 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 | 224.5 | 248.5 | 248.5 | 248.5 | 248.5 | 248.5 | 248.5 | 248.5 |
| Small Communities Treatment Plants                | 8     | 8     | 8     | 8     | 7     | 7     | 7     | 7     | 5     | 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 | 0.050 | -     |
| Onancock, Accomack County(4)                      | 0.750 | 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 | 1.625 | 1.750 | 1.750 | 1.000 | 1.000 | 1.000 | 1.000 | 0.875 | 0.825 |
| Miles of Interceptor Systems                      | 557   | 557   | 561   | 538   | 540   | 541   | 541   | 542   | 540   | 536   |
| Interceptor Pump Stations                         | 92    | 92    | 90    | 89    | 90    | 88    | 87    | 88    | 89    | 88    |
| Small Communities Pump Stations                   | 47    | 47    | 46    | 44    | 42    | 42    | 41    | 34    | 38    | 33    |
| Maintenance Facilities                            | 2     | 2     | 2     | 2     | 2     | 2     | 2     | 2     | 2     | 2     |
| Number of Service Connections (in thousands)      | 494   | 488   | 486   | 484   | 481   | 478   | 476   | 473   | 470   | 467   |
| Daily Average Treatment in Millions of Gallons    | 139   | 146   | 135   | 132   | 154   | 141   | 153   | 145   | 153   | 155   |
| Bond Rating: Moody's                              | Aa1   | Aa1   | Aa1   | Aa1   | Aa1   | Aa1   | Aa1   | Aa1   | Aa2   | Aa2   |
| Senior                                            |       |       |       |       |       |       |       |       |       |       |
| Subordinate Long-term                             |       |       |       |       |       |       |       | Aa2   | -     | -     |
| Bond Rating: Standard & Poor's                    | AA+   | AA+   | AA+   | AA+   | AA+   | AA+   | AA+   | AA+   | AA+   | AA+   |
| Senior                                            |       |       |       |       |       |       |       |       |       |       |
| Subordinate Long-term                             |       |       |       |       |       |       |       | AA    | AA    | AA    |
| Subordinate Short-term                            |       |       |       | 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    |
| Subordinate Short-term                            |       |       |       | 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)                                                   | (restated)          |                     |                     |                     |                   |
|------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|-------------------|
|                                                                  | 2025                | 2024                | 2023                | 2022                | 2021              |
| <b>OPERATING REVENUES</b>                                        |                     |                     |                     |                     |                   |
| Wastewater treatment charges                                     | \$ 460,275          | \$ 422,784          | \$ 383,115          | \$ 352,414          | \$ 325,817        |
| Miscellaneous                                                    | 4,761               | 4,157               | 4,820               | 5,532               | 3,952             |
| <b>TOTAL OPERATING REVENUES</b>                                  | <b>465,036</b>      | <b>426,941</b>      | <b>387,935</b>      | <b>357,946</b>      | <b>329,769</b>    |
| <b>OPERATING EXPENSES</b>                                        |                     |                     |                     |                     |                   |
| Wastewater treatment                                             | 173,973             | 167,327             | 149,532             | 134,135             | 132,820           |
| General and administrative                                       | 57,028              | 60,406              | 53,995              | 45,673              | 48,691            |
| Depreciation                                                     | 60,456              | 57,053              | 54,469              | 54,357              | 53,278            |
| <b>TOTAL OPERATING EXPENSES</b>                                  | <b>291,457</b>      | <b>284,786</b>      | <b>257,996</b>      | <b>234,165</b>      | <b>234,789</b>    |
| <b>OPERATING INCOME</b>                                          | <b>173,579</b>      | <b>142,155</b>      | <b>129,939</b>      | <b>123,781</b>      | <b>94,980</b>     |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>                         |                     |                     |                     |                     |                   |
| Wastewater facility charges                                      | 6,928               | 7,153               | 7,293               | 7,072               | 7,379             |
| Investment income                                                | 26,121              | 13,673              | 6,068               | (1,651)             | 471               |
| Bond interest subsidy                                            | -                   | 1,622               | 2,015               | 2,052               | 2,167             |
| Change in fair value of investments                              | -                   | -                   | -                   | -                   | -                 |
| Capital distributions to localities                              | (811)               | (2,005)             | (2,422)             | (13)                | (376)             |
| Bond issuance costs                                              | (1,351)             | (1,000)             | (98)                | (311)               | (682)             |
| Disposal of capital assets                                       | -                   | -                   | -                   | -                   | -                 |
| Interest expense                                                 | (45,888)            | (33,642)            | (27,132)            | (25,007)            | (25,339)          |
| <b>NET NON-OPERATING EXPENSES</b>                                | <b>(15,001)</b>     | <b>(14,199)</b>     | <b>(14,276)</b>     | <b>(17,858)</b>     | <b>(16,380)</b>   |
| <b>INCOME BEFORE CONTRIBUTIONS AND SPECIAL ITEM</b>              | <b>158,578</b>      | <b>127,956</b>      | <b>115,663</b>      | <b>105,923</b>      | <b>78,600</b>     |
| <b>CAPITAL CONTRIBUTIONS</b>                                     |                     |                     |                     |                     |                   |
| State capital grants                                             | 138,949             | 34,183              | 234                 | 200                 | -                 |
| Other capital contributions                                      | 4,892               | 12,242              | 1,641               | 2,537               | 2,317             |
| <b>CHANGE IN NET POSITION BEFORE SPECIAL ITEM</b>                | <b>302,419</b>      | <b>174,381</b>      | <b>117,538</b>      | <b>108,660</b>      | <b>80,917</b>     |
| Special Item                                                     | 23,758              | -                   | -                   | -                   | -                 |
| <b>CHANGE IN NET POSITION</b>                                    | <b>\$ 326,177</b>   | <b>\$ 174,381</b>   | <b>\$ 117,538</b>   | <b>\$ 108,660</b>   | <b>\$ 80,917</b>  |
| <b>NET POSITION</b>                                              |                     |                     |                     |                     |                   |
| Net investment in capital assets                                 | \$ 1,156,903        | \$ 1,017,839        | \$ 981,437          | \$ 832,427          | \$ 776,253        |
| Restricted:                                                      |                     |                     |                     |                     |                   |
| Debt service                                                     | 37,709              | 22,307              | 33,830              | 33,134              | 30,455            |
| Capital projects                                                 | 9,215               | -                   | -                   | -                   | -                 |
| Net OPEB asset                                                   | 30,404              | -                   | -                   | -                   | -                 |
| Unrestricted                                                     | 435,955             | 303,863             | 161,755             | 193,923             | 144,116           |
| <b>TOTAL NET POSITION</b>                                        | <b>\$ 1,670,186</b> | <b>\$ 1,344,009</b> | <b>\$ 1,177,022</b> | <b>\$ 1,059,484</b> | <b>\$ 950,824</b> |
| Net Revenues Available for Debt Service (GAAP)                   | 288,680             | 218,651             | 197,264             | 185,287             | 157,217           |
| Add Back: Operating Expenses on Improvements Not Owned by HRSD * | 811                 | 2,005               | 2,422               | 13                  | 376               |
| <b>Net Revenues Available for Debt Service</b>                   | <b>\$ 289,491</b>   | <b>\$ 220,656</b>   | <b>\$ 199,686</b>   | <b>\$ 185,300</b>   | <b>\$ 157,593</b> |
| <b>DEBT SERVICE</b>                                              |                     |                     |                     |                     |                   |
| Senior debt                                                      | \$ 78,314           | \$ 76,894           | \$ 27,624           | \$ 24,549           | \$ 26,085         |
| Subordinate debt                                                 | -                   | -                   | 38,767              | 36,468              | 33,128            |
| <b>Total Debt Service</b>                                        | <b>\$ 78,314</b>    | <b>\$ 76,894</b>    | <b>\$ 66,391</b>    | <b>\$ 61,017</b>    | <b>\$ 59,213</b>  |
| <b>Debt Service Coverage</b>                                     |                     |                     |                     |                     |                   |
| Debt Service Coverage                                            | 3.70                | 2.87                | 3.01                | 3.04                | 2.66              |

## Notes:

FY2025 - HRSD implemented GASB Statement 101 effective July 1, 2024. GASB 101 establishes standards of accounting and financial reporting by updating the recognition and measurement guidance for compensated absences and required restatement of FY2024.

FY2024 - 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.

\* 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.

(Continued)

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

| (in thousands)                                                   | 2020              | 2019              | 2018              | (adjusted)<br>2017 | 2016              |
|------------------------------------------------------------------|-------------------|-------------------|-------------------|--------------------|-------------------|
| <b>OPERATING REVENUES</b>                                        |                   |                   |                   |                    |                   |
| Wastewater treatment charges                                     | \$ 318,585        | \$ 299,323        | \$ 275,539        | \$ 254,961         | \$ 234,020        |
| Miscellaneous                                                    | 3,447             | 3,798             | 3,504             | 3,669              | 3,861             |
| <b>TOTAL OPERATING REVENUES</b>                                  | <b>322,032</b>    | <b>303,121</b>    | <b>279,043</b>    | <b>258,630</b>     | <b>237,881</b>    |
| <b>OPERATING EXPENSES</b>                                        |                   |                   |                   |                    |                   |
| Wastewater treatment                                             | 122,393           | 117,189           | 116,982           | 113,100            | 106,575           |
| General and administrative                                       | 46,949            | 41,121            | 40,480            | 40,287             | 40,026            |
| Depreciation                                                     | 51,383            | 53,225            | 52,349            | 49,311             | 45,670            |
| <b>TOTAL OPERATING EXPENSES</b>                                  | <b>220,725</b>    | <b>211,535</b>    | <b>209,811</b>    | <b>202,698</b>     | <b>192,271</b>    |
| <b>OPERATING INCOME</b>                                          | <b>101,307</b>    | <b>91,586</b>     | <b>69,232</b>     | <b>55,932</b>      | <b>45,610</b>     |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>                         |                   |                   |                   |                    |                   |
| Wastewater facility charges                                      | 6,444             | 6,662             | 6,673             | 7,511              | 6,699             |
| Investment income                                                | 5,876             | 8,719             | 3,654             | 2,287              | 1,563             |
| Bond interest subsidy                                            | 2,205             | 2,308             | 2,330             | 2,275              | 2,399             |
| Change in fair value of investments                              | -                 | -                 | (1,382)           | (1,119)            | 750               |
| Capital distributions to localities                              | -                 | -                 | (311)             | (138)              | (3,287)           |
| Bond issuance costs                                              | (1,290)           | (53)              | (1,061)           | (42)               | (1,713)           |
| Disposal of capital assets                                       | (739)             | -                 | -                 | -                  | -                 |
| Interest expense                                                 | (26,179)          | (27,964)          | (20,226)          | (22,630)           | (21,631)          |
| <b>NET NON-OPERATING EXPENSES</b>                                | <b>(13,683)</b>   | <b>(10,328)</b>   | <b>(10,323)</b>   | <b>(11,856)</b>    | <b>(15,220)</b>   |
| <b>INCOME BEFORE CONTRIBUTIONS AND SPECIAL ITEM</b>              | <b>87,624</b>     | <b>81,258</b>     | <b>58,909</b>     | <b>44,076</b>      | <b>30,390</b>     |
| <b>CAPITAL CONTRIBUTIONS</b>                                     |                   |                   |                   |                    |                   |
| State capital grants                                             | -                 | 2,444             | 2,502             | 7,462              | 14,389            |
| Other capital contributions                                      | 578               | 374               | 2,124             | 1,136              | -                 |
| <b>CHANGE IN NET POSITION BEFORE SPECIAL ITEM</b>                | <b>88,202</b>     | <b>84,076</b>     | <b>63,535</b>     | <b>52,674</b>      | <b>44,779</b>     |
| Special Item                                                     | -                 | -                 | -                 | -                  | -                 |
| <b>CHANGE IN NET POSITION</b>                                    | <b>\$ 88,202</b>  | <b>\$ 84,076</b>  | <b>\$ 63,535</b>  | <b>\$ 52,674</b>   | <b>\$ 44,779</b>  |
| <b>NET POSITION</b>                                              |                   |                   |                   |                    |                   |
| Net investment in capital assets                                 | \$ 646,505        | \$ 494,779        | \$ 512,398        | \$ 428,670         | \$ 410,287        |
| Restricted:                                                      |                   |                   |                   |                    |                   |
| Debt service                                                     | 28,155            | 28,553            | 27,799            | 22,701             | 23,798            |
| Capital projects                                                 | -                 | -                 | -                 | -                  | -                 |
| Net OPEB asset                                                   | -                 | -                 | -                 | -                  | -                 |
| Unrestricted                                                     | 195,247           | 258,373           | 157,432           | 202,907            | 167,519           |
| <b>TOTAL NET POSITION</b>                                        | <b>\$ 869,907</b> | <b>\$ 781,705</b> | <b>\$ 697,629</b> | <b>\$ 654,278</b>  | <b>\$ 601,604</b> |
| Net Revenues Available for Debt Service (GAAP)                   | 165,925           | 162,447           | 133,177           | 117,274            | 100,228           |
| Add Back: Operating Expenses on Improvements Not Owned by HRSD * | -                 | -                 | 311               | 138                | 3,287             |
| <b>Net Revenues Available for Debt Service</b>                   | <b>\$ 165,925</b> | <b>\$ 162,447</b> | <b>\$ 133,488</b> | <b>\$ 117,412</b>  | <b>\$ 103,515</b> |
| <b>DEBT SERVICE</b>                                              |                   |                   |                   |                    |                   |
| Senior debt                                                      | \$ 28,595         | \$ 33,592         | \$ 36,488         | \$ 35,837          | \$ 38,198         |
| Subordinate debt                                                 | 30,416            | 28,313            | 20,633            | 23,603             | 17,068            |
| <b>Total Debt Service</b>                                        | <b>\$ 59,011</b>  | <b>\$ 61,905</b>  | <b>\$ 57,121</b>  | <b>\$ 59,440</b>   | <b>\$ 55,266</b>  |
| <b>Debt Service Coverage</b>                                     |                   |                   |                   |                    |                   |
| Debt Service Coverage                                            | 2.81              | 2.62              | 2.30              | 2.00               | 1.85              |

## Notes:

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 DIVISIONAL EXPENSES  
FOR OPERATIONS - LAST TEN FISCAL YEARS**

(in thousands)

|                                       | 2025       | 2024       | 2023       | 2022       | 2021       | 2020       | 2019       | 2018       | 2017       | 2016       |
|---------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Personal Services                     | \$ 79,965  | \$ 71,864  | \$ 65,549  | \$ 61,157  | \$ 60,250  | \$ 59,666  | \$ 56,336  | \$ 55,160  | \$ 53,401  | \$ 51,801  |
| Fringe Benefits                       | 20,766     | 28,568     | 23,772     | 20,467     | 23,879     | 21,417     | 18,235     | 20,275     | 19,106     | 17,974     |
| Repairs and Maintenance *             | 29,419     | 27,625     | 20,174     | 18,004     | 21,207     | 17,419     | 13,786     | 16,763     | 19,933     | 22,824     |
| Materials and Supplies                | 15,563     | 13,728     | 12,641     | 9,495      | 11,413     | 9,364      | 9,314      | 8,865      | 8,310      | 7,843      |
| Transportation                        | 2,118      | 1,776      | 1,672      | 1,380      | 1,100      | 1,194      | 1,423      | 1,271      | 1,386      | 1,537      |
| Utilities                             | 16,491     | 18,045     | 17,044     | 13,762     | 12,947     | 12,584     | 12,749     | 11,968     | 11,523     | 11,249     |
| Chemical Purchases                    | 14,895     | 15,500     | 13,890     | 10,044     | 8,719      | 8,760      | 8,746      | 8,750      | 8,020      | 7,512      |
| Contractual Services                  | 44,551     | 42,257     | 42,934     | 41,904     | 37,278     | 33,748     | 32,123     | 30,165     | 26,977     | 21,573     |
| Miscellaneous Expense                 | 2,924      | 3,045      | 2,864      | 2,385      | 2,685      | 2,953      | 2,622      | 2,509      | 2,329      | 1,842      |
| General **                            | 4,309      | 5,325      | 2,987      | 1,210      | 2,033      | 2,237      | 2,976      | 1,736      | 2,402      | 2,446      |
| Subtotal, Expense before Depreciation | 231,001    | 227,733    | 203,527    | 179,808    | 181,511    | 169,342    | 158,310    | 157,462    | 153,387    | 146,601    |
| Depreciation                          | 60,456     | 57,053     | 54,469     | 54,357     | 53,278     | 51,383     | 53,225     | 52,349     | 49,311     | 45,670     |
| Total Operating Expenses              | \$ 291,457 | \$ 284,786 | \$ 257,996 | \$ 234,165 | \$ 234,789 | \$ 220,725 | \$ 211,535 | \$ 209,811 | \$ 202,698 | \$ 192,271 |

Notes:

\* Includes Capital Improvement Program items expensed

\*\* Includes bad debt expense

**RATIOS OF OUTSTANDING DEBT BY TYPE  
FOR THE YEARS ENDED JUNE 30, 2016 THROUGH 2025**

| As of<br>June 30, | No. Of<br>Service<br>Connections | (in thousands)   |                  |                  |                     |          | Debt Per<br>Service<br>Connection |
|-------------------|----------------------------------|------------------|------------------|------------------|---------------------|----------|-----------------------------------|
|                   |                                  | Senior           | Subordinate      |                  | Total               |          |                                   |
|                   |                                  | Revenue<br>Bonds | Revenue<br>Bonds | Notes<br>Payable | Outstanding<br>Debt |          |                                   |
| 2025              | 494,000                          | \$ 1,854,322     | \$ -             | \$ 92,462        | \$ 1,946,784        | \$ 3,941 |                                   |
| 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    |                                   |

**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**

|                                                     | 2025     | 2024     | 2023     | 2022     | 2021     | 2020     | 2019     | 2018     | 2017     | 2016     |
|-----------------------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| <u>Residential - Metered</u>                        |          |          |          |          |          |          |          |          |          |          |
| Per CCF * (single step)                             | \$ 8.28  | \$ 7.60  | \$ 6.97  | \$ 6.39  | \$ 5.86  | \$ 5.86  | \$ 5.37  | \$ 4.92  | \$ 4.51  | \$ 4.13  |
| Minimum Charges Per day                             | 0.30     | 0.30     | 0.30     | 0.30     | 0.30     | 0.30     | 0.30     | 0.30     | 0.30     | 0.25     |
| <u>Residential - Unmetered per 30-day period</u>    |          |          |          |          |          |          |          |          |          |          |
| Flat rate accounts                                  | 65.10    | 60.00    | 57.90    | 52.20    | 48.64    | 48.64    | 34.91    | 31.98    | 29.32    | 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 |
| Excess over 297 mg/liter                            | 0.000182 | 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 |
| Excess over 282 mg/liter                            | 0.000613 | 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 |
| Excess over 7 mg/liter                              | 0.009169 | 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 | 0.00166  | 0.000917 |
| Excess over 57 mg/liter                             | 0.002868 | 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   |
| Fats, Oils, and Grease (FOG)                        | 0.3658   | 0.3517   | 0.3339   | 0.2737   | -        | -        | -        | -        | -        | -        |
| Other Approved Hauled Wastes                        | 0.1812   | 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**

|                                |  | 2025      | 2024      | 2023      | 2022      | 2021      | 2020      | 2019      | 2018      | 2017      | 2016      |
|--------------------------------|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Residential                    |  | \$ 2,430  | \$ 2,420  | \$ 2,285  | \$ 2,055  | \$ 1,905  | \$ 1,905  | \$ 1,895  | \$ 1,895  | \$ 1,895  | \$ 1,895  |
| Commercial/Industrial          |  |           |           |           |           |           |           |           |           |           |           |
| Volume based facility charges: |  |           |           |           |           |           |           |           |           |           |           |
| 5/8" Meter                     |  | \$ 2,430  | \$ 2,420  | \$ 2,285  | \$ 2,055  | \$ 1,905  | \$ 1,905  | \$ 1,895  | \$ 1,895  | \$ 1,895  | \$ 1,895  |
| 3/4" Meter                     |  | 4,210     | 4,210     | 4,210     | 4,210     | 4,210     | 4,210     | 4,830     | 4,830     | 4,830     | 4,830     |
| 1" Meter                       |  | 7,410     | 7,410     | 7,410     | 7,410     | 7,410     | 7,410     | 8,170     | 8,170     | 8,170     | 8,170     |
| 1 1/2" Meter                   |  | 18,395    | 18,395    | 17,590    | 16,645    | 16,645    | 16,645    | 17,260    | 17,260    | 17,260    | 17,260    |
| 2" Meter                       |  | 35,825    | 35,825    | 34,415    | 31,465    | 30,505    | 30,505    | 30,510    | 30,510    | 30,510    | 29,420    |
| 3" Meter                       |  | 91,665    | 91,665    | 88,570    | 80,405    | 73,810    | 73,810    | 70,800    | 70,800    | 70,800    | 67,350    |
| 4" Meter                       |  | 178,485   | 178,485   | 173,245   | 156,530   | 138,445   | 138,445   | 128,660   | 128,660   | 128,660   | 122,400   |
| 6" Meter                       |  | 456,620   | 456,620   | 445,910   | 400,625   | 336,960   | 336,960   | 298,610   | 298,610   | 298,610   | 284,070   |
| 8" Meter                       |  | 889,185   | 889,185   | 872,130   | 780,840   | 634,710   | 634,710   | 542,680   | 542,680   | 542,680   | 516,260   |
| 10" Meter                      |  | 1,491,070 | 1,491,070 | 1,467,435 | 1,310,665 | 1,038,525 | 1,038,525 | 862,550   | 862,550   | 862,550   | 820,560   |
| 12" Meter                      |  | 2,274,730 | 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 |
| 14" Meter                      |  | 3,251,050 | 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 |
| 16" Meter                      |  | 4,429,645 | 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 |

## Notes:

One charge per connection.

Source: HRSD's Yearly Rate Schedule Publications

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

|                          | 2025  | 2024  | 2023  | 2022  | 2021  | 2020  | 2019  | 2018  | 2017  | 2016  |
|--------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| <b>Total</b>             |       |       |       |       |       |       |       |       |       |       |
| Flow (MGD)               | 138.4 | 145.8 | 135.1 | 132.3 | 154.4 | 140.9 | 152.6 | 145.2 | 152.9 | 155.1 |
| Influent (1,000 lbs.)    |       |       |       |       |       |       |       |       |       |       |
| BOD                      | 279.3 | 273.6 | 284.4 | 263.5 | 269.1 | 252.4 | 281.9 | 285.1 | 288.2 | 282.5 |
| TSS                      | 229.3 | 228.3 | 253.4 | 203.4 | 215.4 | 226.2 | 211.4 | 215.8 | 215.9 | 228.8 |
| TP                       | 6.2   | 6.3   | 6.4   | 6.3   | 6.5   | 6.6   | 6.6   | 6.8   | 7.0   | 6.9   |
| TKN                      | 50.9  | 49.4  | 50.3  | 45.0  | 46.7  | 47.0  | 47.6  | 47.2  | 46.4  | 45.7  |
| Effluent (1,000 lbs.)    |       |       |       |       |       |       |       |       |       |       |
| BOD                      | 8.7   | 8.5   | 8.8   | 7.4   | 9.2   | 8.0   | 8.2   | 7.5   | 8.9   | 9.8   |
| TSS                      | 8.2   | 7.8   | 7.7   | 6.3   | 9.0   | 7.1   | 7.4   | 6.7   | 9.4   | 9.3   |
| TP                       | 0.6   | 0.6   | 0.5   | 0.5   | 0.7   | 0.7   | 0.8   | 0.7   | 0.9   | 0.9   |
| TKN                      | 4.7   | 3.7   | 4.3   | 5.1   | 8.1   | 8.4   | 8.5   | 7.3   | 7.7   | 8.0   |
| <b>Army Base Plant</b>   |       |       |       |       |       |       |       |       |       |       |
| Flow (MGD)               | 8.6   | 10.6  | 8.4   | 8.2   | 11.1  | 10.4  | 11.1  | 10.0  | 9.5   | 9.6   |
| Influent (1,000 lbs.)    |       |       |       |       |       |       |       |       |       |       |
| BOD                      | 15.1  | 14.3  | 18.1  | 17.4  | 16.6  | 16.0  | 16.6  | 16.3  | 13.2  | 13.3  |
| TSS                      | 13.7  | 12.1  | 19.0  | 21.8  | 19.0  | 16.9  | 13.9  | 14.0  | 11.7  | 13.3  |
| TP                       | 0.3   | 0.3   | 0.3   | 0.3   | 0.4   | 0.4   | 0.4   | 0.4   | 0.3   | 0.3   |
| TKN                      | 2.9   | 2.8   | 2.9   | 2.9   | 3.2   | 3.3   | 3.3   | 3.1   | 2.7   | 2.7   |
| Effluent (1,000 lbs.)    |       |       |       |       |       |       |       |       |       |       |
| BOD                      | 0.2   | 0.3   | 0.2   | 0.2   | 0.6   | 0.2   | 0.3   | 0.2   | 0.3   | 0.3   |
| TSS                      | 0.2   | 0.4   | 0.3   | 0.4   | 0.9   | 0.3   | 0.4   | 0.3   | 0.4   | 0.5   |
| TP                       | 0.0   | 0.1   | 0.1   | 0.0   | 0.1   | 0.1   | 0.0   | 0.0   | 0.1   | 0.1   |
| TKN                      | 0.1   | 0.2   | 0.1   | 0.2   | 0.2   | 0.1   | 0.1   | 0.1   | 0.1   | 0.1   |
| <b>Atlantic Plant</b>    |       |       |       |       |       |       |       |       |       |       |
| Flow (MGD)               | 43.4  | 44.8  | 42.8  | 35.9  | 27.4  | 24.5  | 28.1  | 26.1  | 28.2  | 27.2  |
| Influent (1,000 lbs.)    |       |       |       |       |       |       |       |       |       |       |
| BOD                      | 80.7  | 85.9  | 85.9  | 74.4  | 58.5  | 49.3  | 58.2  | 56.7  | 53.2  | 55.6  |
| TSS                      | 67.0  | 79.5  | 73.0  | 51.9  | 39.6  | 35.5  | 39.3  | 36.6  | 38.7  | 38.5  |
| TP                       | 2.0   | 2.2   | 2.1   | 1.8   | 1.4   | 1.3   | 1.4   | 1.3   | 1.4   | 1.4   |
| TKN                      | 17.5  | 16.9  | 17.2  | 15.2  | 11.4  | 10.7  | 11.9  | 11.2  | 11.0  | 10.9  |
| Effluent (1,000 lbs.)    |       |       |       |       |       |       |       |       |       |       |
| BOD                      | 4.5   | 4.3   | 5.4   | 3.5   | 2.9   | 3.0   | 2.5   | 2.4   | 2.3   | 2.7   |
| TSS                      | 4.4   | 3.5   | 4.7   | 2.9   | 2.5   | 1.5   | 1.6   | 1.6   | 1.9   | 1.9   |
| <b>Boat Harbor Plant</b> |       |       |       |       |       |       |       |       |       |       |
| Flow (MGD)               | 11.5  | 12.0  | 10.7  | 11.7  | 15.2  | 13.6  | 15.8  | 14.2  | 13.9  | 15.6  |
| Influent (1,000 lbs.)    |       |       |       |       |       |       |       |       |       |       |
| BOD                      | 17.2  | 16.9  | 17.8  | 17.7  | 20.0  | 18.4  | 20.6  | 19.2  | 17.4  | 18.3  |
| TSS                      | 12.5  | 12.6  | 12.7  | 13.2  | 16.1  | 16.0  | 18.0  | 16.6  | 15.7  | 18.1  |
| TP                       | 0.4   | 0.4   | 0.4   | 0.5   | 0.5   | 0.5   | 0.5   | 0.5   | 0.5   | 0.5   |
| TKN                      | 3.6   | 3.4   | 3.5   | 3.6   | 3.8   | 4.0   | 4.2   | 3.9   | 3.8   | 3.8   |
| Effluent (1,000 lbs.)    |       |       |       |       |       |       |       |       |       |       |
| BOD                      | 1.0   | 0.8   | 0.6   | 0.9   | 1.0   | 0.6   | 0.9   | 0.6   | 0.6   | 1.0   |
| TSS                      | 0.8   | 0.8   | 0.6   | 0.7   | 1.0   | 0.8   | 1.0   | 0.7   | 0.7   | 0.9   |
| TP                       | 0.1   | 0.1   | 0.1   | 0.1   | 0.1   | 0.1   | 0.1   | 0.1   | 0.1   | 0.1   |
| TKN                      | 2.5   | 1.6   | 2.5   | 2.2   | 2.1   | 2.0   | 2.5   | 1.3   | 1.2   | 1.8   |

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

|                                                                | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|----------------------------------------------------------------|------|------|------|------|------|------|------|------|------|------|
| <b>Chesapeake-Elizabeth Plant *</b>                            |      |      |      |      |      |      |      |      |      |      |
| Flow (MGD)                                                     | -    | -    | -    | 10.1 | 16.8 | 17.4 | 17.6 | 18.7 | 18.0 | 16.3 |
| Influent (1,000 lbs.)                                          |      |      |      |      |      |      |      |      |      |      |
| BOD                                                            | -    | -    | -    | 20.2 | 30.5 | 38.1 | 37.2 | 35.4 | 35.2 | 30.2 |
| TSS                                                            | -    | -    | -    | 14.0 | 23.0 | 24.6 | 26.8 | 26.6 | 26.1 | 22.9 |
| TP                                                             | -    | -    | -    | 0.5  | 0.7  | 0.8  | 0.8  | 0.8  | 0.8  | 2.7  |
| TKN                                                            | -    | -    | -    | 4.0  | 6.1  | 6.9  | 6.8  | 6.6  | 6.4  | 5.1  |
| Effluent (1,000 lbs.)                                          |      |      |      |      |      |      |      |      |      |      |
| BOD                                                            | -    | -    | -    | 1.2  | 2.5  | 2.2  | 2.0  | 2.8  | 2.3  | 2.0  |
| TSS                                                            | -    | -    | -    | 0.9  | 1.9  | 2.0  | 1.9  | 3.2  | 2.3  | 1.8  |
| TP                                                             | -    | -    | -    | 0.1  | 0.1  | 0.2  | 0.1  | 0.2  | 0.1  | 0.1  |
| TKN                                                            | -    | -    | -    | 2.0  | 3.9  | 4.4  | 4.1  | 4.5  | 4.1  | 3.6  |
| * The Chesapeake-Elizabeth Plant was closed December 31, 2021. |      |      |      |      |      |      |      |      |      |      |
| <b>James River Plant</b>                                       |      |      |      |      |      |      |      |      |      |      |
| Flow (MGD)                                                     | 11.6 | 11.8 | 12.1 | 12.7 | 14.7 | 12.4 | 13.9 | 13.0 | 12.3 | 13.2 |
| Influent (1,000 lbs.)                                          |      |      |      |      |      |      |      |      |      |      |
| BOD                                                            | 25.5 | 24.1 | 35.5 | 24.9 | 23.1 | 24.0 | 25.8 | 26.8 | 25.5 | 24.4 |
| TSS                                                            | 18.7 | 18.6 | 46.4 | 17.5 | 18.1 | 17.4 | 18.7 | 19.3 | 17.4 | 17.8 |
| TP                                                             | 0.5  | 0.5  | 0.6  | 0.6  | 0.6  | 0.5  | 0.6  | 0.6  | 0.5  | 0.5  |
| TKN                                                            | 4.4  | 4.4  | 5.2  | 4.7  | 5.0  | 4.7  | 4.7  | 4.8  | 4.3  | 4.2  |
| Effluent (1,000 lbs.)                                          |      |      |      |      |      |      |      |      |      |      |
| BOD                                                            | 0.8  | 0.7  | 0.6  | 0.6  | 0.5  | 0.5  | 0.4  | 0.3  | 0.4  | 0.4  |
| TSS                                                            | 0.7  | 0.8  | 0.5  | 0.5  | 0.5  | 0.4  | 0.4  | 0.4  | 0.4  | 0.5  |
| TP                                                             | 0.1  | 0.1  | 0.0  | 0.1  | 0.0  | 0.0  | 0.1  | 0.1  | 0.1  | 0.1  |
| TKN                                                            | 0.5  | 0.5  | 0.6  | 0.6  | 0.5  | 0.5  | 0.3  | 0.4  | 0.5  | 0.4  |
| <b>Nansemond Plant</b>                                         |      |      |      |      |      |      |      |      |      |      |
| Flow (MGD)                                                     | 16.4 | 16.6 | 15.3 | 15.5 | 17.4 | 15.9 | 16.9 | 17.5 | 18.8 | 18.5 |
| Influent (1,000 lbs.)                                          |      |      |      |      |      |      |      |      |      |      |
| BOD                                                            | 34.6 | 33.6 | 30.1 | 29.9 | 33.8 | 32.5 | 33.0 | 31.9 | 40.7 | 35.8 |
| TSS                                                            | 31.8 | 29.1 | 27.7 | 25.9 | 36.0 | 46.5 | 37.2 | 33.4 | 40.3 | 38.4 |
| TP                                                             | 0.8  | 0.8  | 0.9  | 0.8  | 0.9  | 1.0  | 1.0  | 1.2  | 1.5  | 1.5  |
| TKN                                                            | 7.1  | 7.0  | 6.4  | 6.2  | 6.8  | 6.9  | 6.7  | 7.1  | 7.4  | 7.0  |
| Effluent (1,000 lbs.)                                          |      |      |      |      |      |      |      |      |      |      |
| BOD                                                            | 0.8  | 0.7  | 0.5  | 0.4  | 0.6  | 0.6  | 0.7  | 0.7  | 0.8  | 0.7  |
| TSS                                                            | 1.1  | 0.9  | 0.8  | 0.5  | 0.8  | 0.6  | 0.8  | 0.7  | 0.8  | 0.9  |
| TP                                                             | 0.2  | 0.2  | 0.1  | 0.1  | 0.1  | 0.1  | 0.1  | 0.2  | 0.2  | 0.2  |
| TKN                                                            | 0.5  | 0.3  | 0.3  | 0.3  | 0.4  | 0.3  | 0.4  | 0.4  | 0.5  | 0.5  |
| <b>Virginia Initiative Plant</b>                               |      |      |      |      |      |      |      |      |      |      |
| Flow (MGD)                                                     | 26.9 | 30.0 | 24.7 | 23.5 | 29.1 | 26.2 | 27.6 | 26.7 | 30.9 | 31.7 |
| Influent (1,000 lbs.)                                          |      |      |      |      |      |      |      |      |      |      |
| BOD                                                            | 38.3 | 42.4 | 42.3 | 39.1 | 39.4 | 37.0 | 40.4 | 47.5 | 50.1 | 50.4 |
| TSS                                                            | 27.5 | 32.9 | 37.3 | 33.2 | 31.5 | 35.4 | 23.2 | 30.0 | 31.3 | 32.0 |
| TP                                                             | 1.0  | 1.0  | 1.0  | 1.0  | 1.0  | 1.1  | 0.9  | 1.0  | 1.0  | 1.0  |
| TKN                                                            | 7.2  | 7.2  | 7.2  | 6.5  | 6.7  | 7.1  | 6.8  | 7.0  | 7.3  | 7.4  |
| Effluent (1,000 lbs.)                                          |      |      |      |      |      |      |      |      |      |      |
| BOD                                                            | 0.9  | 1.0  | 0.9  | 0.7  | 0.6  | 0.5  | 0.6  | 0.8  | 1.2  | 1.7  |
| TSS                                                            | 0.6  | 1.1  | 0.5  | 0.4  | 0.7  | 1.0  | 0.7  | 0.7  | 1.4  | 1.9  |
| TP                                                             | 0.1  | 0.1  | 0.1  | 0.1  | 0.2  | 0.1  | 0.2  | 0.2  | 0.2  | 0.2  |
| TKN                                                            | 0.5  | 0.5  | 0.4  | 0.3  | 0.4  | 0.3  | 0.4  | 0.6  | 0.4  | 0.7  |

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

|                           | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---------------------------|------|------|------|------|------|------|------|------|------|------|
| <b>Williamsburg Plant</b> |      |      |      |      |      |      |      |      |      |      |
| Flow (MGD)                | 8.3  | 8.1  | 8.7  | 8.3  | 9.0  | 8.6  | 7.7  | 8.0  | 8.6  | 8.4  |
| Influent (1,000 lbs.)     |      |      |      |      |      |      |      |      |      |      |
| BOD                       | 49.2 | 38.2 | 36.7 | 33.3 | 32.5 | 33.4 | 32.6 | 36.1 | 33.2 | 34.7 |
| TSS                       | 42.1 | 27.4 | 21.5 | 17.4 | 18.0 | 21.2 | 24.1 | 19.1 | 27.9 | 16.2 |
| TP                        | 0.6  | 0.6  | 0.6  | 0.6  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  |
| TKN                       | 4.2  | 3.7  | 4.0  | 3.6  | 3.7  | 3.6  | 3.5  | 3.3  | 3.6  | 3.2  |
| Effluent (1,000 lbs.)     |      |      |      |      |      |      |      |      |      |      |
| BOD                       | 0.3  | 0.4  | 0.4  | 0.3  | 0.4  | 0.2  | 0.2  | 0.2  | 0.3  | 0.3  |
| TSS                       | 0.3  | 0.3  | 0.2  | 0.2  | 0.6  | 0.2  | 0.2  | 0.2  | 0.3  | 0.3  |
| TP                        | 0.1  | 0.1  | 0.1  | 0.1  | 0.1  | 0.0  | 0.0  | 0.0  | 0.1  | 0.1  |
| TKN                       | 0.2  | 0.1  | 0.1  | 0.1  | 0.2  | 0.1  | 0.1  | 0.1  | 0.1  | 0.1  |
| <b>York River Plant</b>   |      |      |      |      |      |      |      |      |      |      |
| Flow (MGD)                | 11.6 | 12.0 | 11.6 | 11.6 | 13.9 | 13.2 | 12.6 | 12.6 | 12.7 | 12.6 |
| Influent (1,000 lbs.)     |      |      |      |      |      |      |      |      |      |      |
| BOD                       | 18.6 | 18.0 | 18.0 | 16.7 | 14.6 | 15.8 | 16.8 | 16.7 | 16.3 | 18.2 |
| TSS                       | 16.0 | 16.2 | 15.8 | 15.5 | 14.1 | 15.4 | 15.0 | 15.1 | 16.7 | 16.9 |
| TP                        | 0.5  | 0.4  | 0.5  | 0.5  | 0.5  | 0.4  | 0.4  | 0.4  | 0.4  | 0.4  |
| TKN                       | 4.0  | 3.9  | 3.9  | 3.8  | 3.8  | 3.7  | 3.6  | 3.6  | 3.5  | 3.5  |
| Effluent (1,000 lbs.)     |      |      |      |      |      |      |      |      |      |      |
| BOD                       | 0.3  | 0.3  | 0.2  | 0.1  | 0.2  | 0.5  | 0.3  | 0.3  | 0.4  | 0.4  |
| TSS                       | 0.2  | 0.1  | 0.1  | 0.1  | 0.1  | 0.1  | 0.2  | 0.2  | 0.1  | 0.2  |
| TP                        | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  | 0.1  |
| TKN                       | 0.3  | 0.4  | 0.3  | 0.3  | 0.4  | 0.3  | 0.2  | 0.2  | 0.3  | 0.3  |

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

(in thousands)

| Customer                                         | Type              | 2025              |      |                                                  | 2016              |      |                                                  |
|--------------------------------------------------|-------------------|-------------------|------|--------------------------------------------------|-------------------|------|--------------------------------------------------|
|                                                  |                   | Annual<br>Billing | Rank | Percent of<br>Wastewater<br>Treatment<br>Revenue | Annual<br>Billing | Rank | Percent of<br>Wastewater<br>Treatment<br>Revenue |
| U.S. Navy - Norfolk Naval Base                   | Military Facility | \$ 9,125          | 1    | 2.0%                                             | \$ 4,383          | 1    | 1.9%                                             |
| Anheuser - Busch, Inc.                           | Brewery           | 4,060             | 2    | 0.9%                                             | 2,961             | 3    | 1.3%                                             |
| Huntington Ingalls Industries                    | Shipbuilding      | 3,208             | 3    | 0.7%                                             | 1,970             | 4    | 0.8%                                             |
| Norfolk Redevelopment & Housing Authority        | Housing Authority | 2,908             | 4    | 0.6%                                             | 1,439             | 7    | 0.6%                                             |
| City of Norfolk                                  | Municipality      | 2,850             | 5    | 0.6%                                             | 1,353             | 8    | 0.6%                                             |
| Norfolk Naval Shipyard Military Ship Repair      |                   | 2,761             | 6    | 0.6%                                             | 1,859             | 5    | 0.8%                                             |
| U.S. Air Force - Langley Air Force Base          | Military Facility | 2,755             | 7    | 0.6%                                             | -                 |      | -                                                |
| Joint Expeditionary Base Little Creek-Fort Story | Military Facility | 2,340             | 8    | 0.5%                                             | 1,457             | 6    | 0.6%                                             |
| City of Virginia Beach                           | Municipality      | 2,188             | 9    | 0.5%                                             | -                 |      | -                                                |
| Smithfield Foods                                 | Meat Processor    | 1,796             | 10   | 0.4%                                             | 4,067             | 2    | 1.7%                                             |
| Oceana Naval Air Station / Dam Neck              | Military Facility | -                 |      | -                                                | 1,067             | 10   | 0.5%                                             |
| Fort Eustis                                      | Military Facility | -                 |      | -                                                | 1,200             | 9    | 0.5%                                             |
| Total                                            |                   | \$ 33,991         |      | 7.4%                                             | \$ 21,756         |      | 9.3%                                             |

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

| <u>Employer</u>                                       | <u>Type</u>             | 2025                |      |                                | 2016                |      |                                |
|-------------------------------------------------------|-------------------------|---------------------|------|--------------------------------|---------------------|------|--------------------------------|
|                                                       |                         | 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%                           | 64,357              | 1    | 7.0%                           |
| Huntington Ingalls Industries                         | Shipbuilding and Repair | 44,000              | 2    | 5.2%                           | 24,000              | 2    | 2.6%                           |
| Joint Base Langley-Eustis                             | Military Facility       | 20,884              | 3    | 2.5%                           | 20,140              | 4    | 2.2%                           |
| Sentara Healthcare                                    | Health Care Network     | 16,000              | 4    | 1.9%                           | 22,000              | 3    | 2.4%                           |
| Norfolk Naval Shipyard                                | Military Ship Repair    | 12,000              | 5    | 1.4%                           | 10,734              | 7    | 1.2%                           |
| Naval Support Activity/<br>Naval Medical Center       | Military Facility       | 10,300              | 6    | 1.2%                           | -                   | -    | -                              |
| Naval Air Station Oceana-Dam Neck                     | Military Facility       | 10,227              | 7    | 1.2%                           | 17,156              | 5    | 1.9%                           |
| Riverside Health System                               | Health Care Network     | 9,000               | 8    | 1.1%                           | 8,000               | 9    | 0.9%                           |
| Virginia Beach Public Schools                         | Public Schools          | 7,597               | 9    | 0.9%                           | 10,576              | 8    | 1.1%                           |
| Norfolk City Public Schools                           | Public Schools          | 6,278               | 10   | 0.7%                           | 6,527               | 10   | 0.7%                           |
| Joint Expeditionary Base<br>Little Creek - Fort Story | Military Facility       | -                   | -    | -                              | 14,775              | 6    | 1.6%                           |
| <b>Total</b>                                          |                         | <b>218,286</b>      |      | <b>25.7%</b>                   | <b>133,908</b>      |      | <b>14.5%</b>                   |

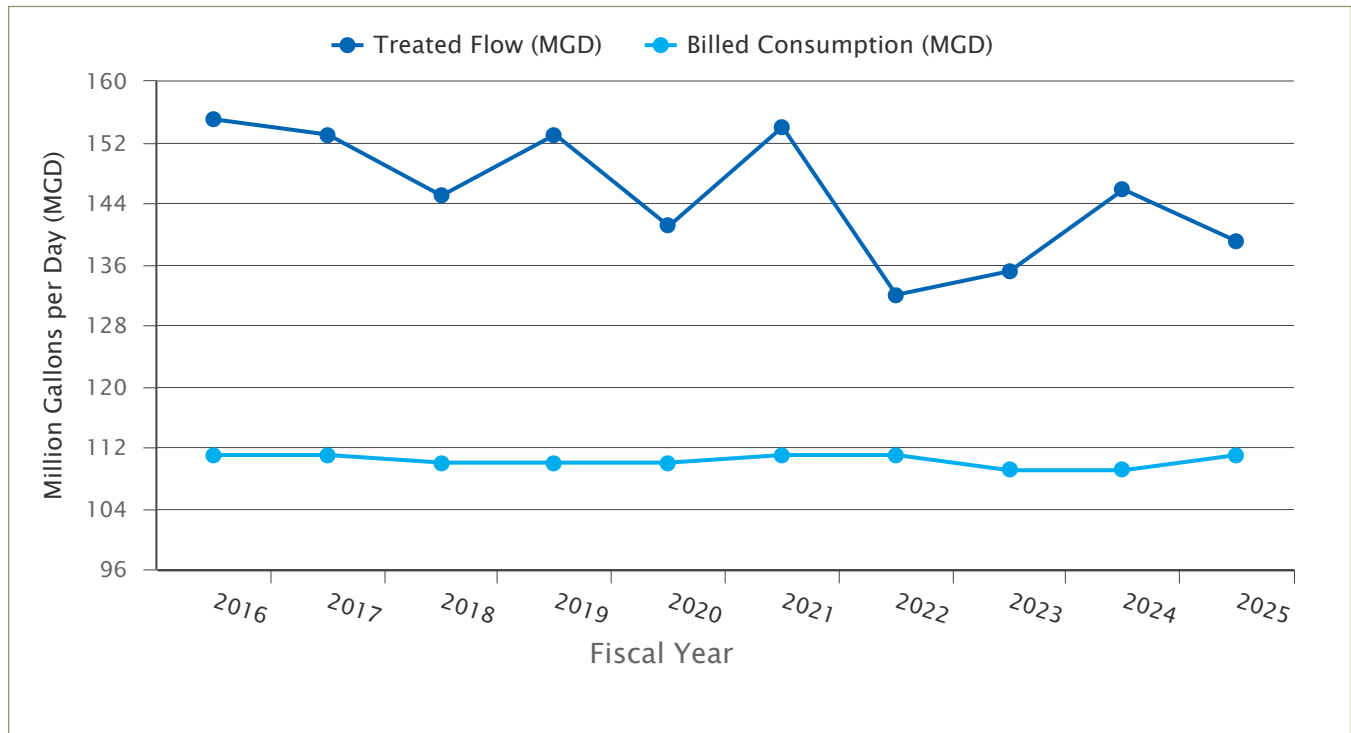
Sources:

Hampton Roads Economic Development Alliance

Hampton Roads PDC

Hampton Roads Business

### COMPARISON OF TREATED FLOW TO BILLED FLOW LAST TEN FISCAL YEARS



| Year ended<br>June 30, | Treated Flow<br>(MGD) | Billed Consumption<br>(MGD) |
|------------------------|-----------------------|-----------------------------|
| 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                         |
| 2025                   | 139                   | 111                         |

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

|                                      | 2025       | 2024       | 2023       | 2022       | 2021       | 2020       | 2019       | 2018       | 2017       | 2016       |
|--------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| <b><u>General Management</u></b>     |            |            |            |            |            |            |            |            |            |            |
| General Manager                      | 1          | 1          | 1          | 1          | 1          | 1          | 1          | 2          | 3          | 3          |
| Support Staff                        | 1          | 1          | 1          | 1          | 1          | 1          | 1          | 1          | 1          | 1          |
| Total General Management             | 2          | 2          | 2          | 2          | 2          | 2          | 2          | 3          | 4          | 4          |
| <b><u>Communications</u></b>         |            |            |            |            |            |            |            |            |            |            |
| Communications                       | 4          | 1          | 1          | 1          | 1          | 1          | 1          | 1          | -          | -          |
| Support Staff                        | -          | 3          | 3          | 2          | 2          | 2          | 2          | 1          | -          | -          |
| Total Communications                 | 4          | 4          | 4          | 3          | 3          | 3          | 3          | 2          | -          | -          |
| <b><u>Talent Management</u></b>      |            |            |            |            |            |            |            |            |            |            |
| Human Resources                      | 9          | 6          | 6          | 5          | 6          | 6          | 6          | 6          | 6          | 5          |
| Safety                               | 6          | 5          | 5          | 5          | 4          | 3          | 3          | 3          | 3          | 3          |
| Training                             | 5          | 6          | 4          | 4          | 4          | 3          | 3          | 2          | 2          | 2          |
| Support Staff                        | 5          | 4          | 3          | 3          | 3          | 4          | 4          | 4          | 4          | 4          |
| Total Talent Management              | 25         | 21         | 18         | 17         | 17         | 16         | 16         | 15         | 15         | 14         |
| <b><u>Finance</u></b>                |            |            |            |            |            |            |            |            |            |            |
| Accounting                           | 13         | 15         | 15         | 15         | 15         | 12         | 12         | 11         | 10         | 10         |
| Customer Care Center                 | 65         | 64         | 63         | 65         | 71         | 77         | 77         | 77         | 77         | 77         |
| Procurement                          | 11         | 11         | 11         | 12         | 11         | 10         | 10         | 10         | 10         | 10         |
| Financial Planning and Analysis      | 11         | 9          | 9          | 6          | -          | -          | -          | -          | -          | -          |
| Support Staff                        | 13         | 6          | 5          | 4          | 5          | 3          | 3          | 3          | 3          | 2          |
| Total Finance                        | 113        | 105        | 103        | 102        | 102        | 102        | 102        | 101        | 100        | 99         |
| <b><u>Information Technology</u></b> |            |            |            |            |            |            |            |            |            |            |
| Information Technology               | 54         | 58         | 52         | 49         | 48         | 48         | 43         | 48         | 47         | 45         |
| Support Staff                        | 7          | 1          | 2          | 2          | 2          | 2          | 2          | 2          | 1          | 1          |
| Total Information Technology         | 61         | 59         | 54         | 51         | 50         | 50         | 45         | 50         | 48         | 46         |
| <b><u>Operations</u></b>             |            |            |            |            |            |            |            |            |            |            |
| Army Base Treatment Plant            | 26         | 31         | 31         | 29         | 32         | 34         | 34         | 34         | 34         | 31         |
| Atlantic Treatment Plant             | 41         | 36         | 36         | 36         | 37         | 35         | 35         | 35         | 35         | 32         |
| Boat Harbor Treatment Plant          | 34         | 33         | 33         | 34         | 32         | 35         | 35         | 35         | 35         | 32         |
| Chesapeake-Elizabeth Treatment Plant | -          | -          | -          | 25         | 31         | 32         | 32         | 32         | 32         | 31         |
| Interceptor System Maintenance       | 115        | 111        | 111        | 112        | 121        | 119        | 119        | 118        | 117        | 115        |
| James River Treatment Plant          | 28         | 24         | 24         | 24         | 24         | 22         | 22         | 22         | 22         | 20         |
| Maintenance Shops                    | 112        | 125        | 114        | 112        | 85         | 74         | 73         | 71         | 70         | 83         |
| Nansemond Treatment Plant            | 28         | 32         | 32         | 30         | 35         | 32         | 32         | 32         | 32         | 30         |
| Virginia Initiative Plant            | 34         | 33         | 33         | 33         | 32         | 34         | 34         | 33         | 33         | 30         |
| Williamsburg Treatment Plant         | 30         | 30         | 30         | 28         | 28         | 29         | 29         | 29         | 29         | 28         |
| York River Treatment Plant           | 23         | 24         | 24         | 23         | 23         | 24         | 24         | 24         | 24         | 22         |
| Small Communities Division           | 36         | 33         | 29         | 27         | 23         | 23         | 23         | 23         | 23         | 21         |
| Technology                           | 8          | 5          | -          | -          | -          | -          | -          | -          | -          | -          |
| Support Staff                        | 46         | 20         | 27         | 20         | 23         | 23         | 23         | 23         | 23         | 24         |
| Total Operations                     | 561        | 537        | 524        | 533        | 526        | 516        | 515        | 511        | 509        | 499        |
| <b><u>Engineering</u></b>            |            |            |            |            |            |            |            |            |            |            |
| Design and Construction              | 61         | 57         | 51         | 43         | 31         | 31         | 30         | 26         | 25         | 25         |
| Support Staff                        | 1          | 2          | 2          | 2          | 13         | 13         | 13         | 13         | 14         | 14         |
| Total Engineering                    | 62         | 59         | 53         | 45         | 44         | 44         | 43         | 39         | 39         | 39         |
| <b><u>Water Quality</u></b>          |            |            |            |            |            |            |            |            |            |            |
| Pretreatment & Pollution Prevention  | 29         | 28         | 27         | 27         | 27         | 28         | 27         | 27         | 26         | 26         |
| Technical Services                   | 42         | 39         | 35         | 34         | 36         | 34         | 31         | 31         | 29         | 28         |
| Laboratory                           | 52         | 52         | 53         | 52         | 50         | 47         | 47         | 46         | 45         | 42         |
| Support Staff                        | 2          | 4          | 5          | 6          | 5          | 5          | 5          | 5          | 6          | 6          |
| Total Water Quality                  | 125        | 123        | 120        | 119        | 118        | 114        | 110        | 109        | 106        | 102        |
| <b>Total</b>                         | <b>953</b> | <b>910</b> | <b>878</b> | <b>872</b> | <b>862</b> | <b>847</b> | <b>836</b> | <b>830</b> | <b>821</b> | <b>803</b> |



# OTHER SUPPLEMENTAL SECTION (UNAUDITED)



# INDEX TO OTHER SUPPLEMENTAL SECTION

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      |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| <b>Debt Service</b>                                                                                                                                                                                     | <b>98</b> |
| This schedule presents information pertaining to HRSD's primary bonded debt service. It covers senior debt service payments projected for fiscal years ending from June 30, 2026 through June 30, 2060. |           |
| <b>Budgetary Information</b>                                                                                                                                                                            | <b>99</b> |
| These schedules contain information about HRSD's budget and resources to help the reader understand HRSD's budgeting process.                                                                           |           |

**SUMMARY OF PRIMARY BONDED DEBT SERVICE**
**June 30, 2025**

| (in thousands) |    | Senior Bonds - Excluding Bond Premium and Notes Payable |            |              |
|----------------|----|---------------------------------------------------------|------------|--------------|
| As of June 30, |    | Principal                                               | Interest   | Debt Service |
| 2026           | \$ | 101,251                                                 | \$ 39,068  | \$ 140,319   |
| 2027           |    | 55,794                                                  | 38,261     | 94,055       |
| 2028           |    | 53,874                                                  | 36,829     | 90,703       |
| 2029           |    | 55,316                                                  | 45,110     | 100,426      |
| 2030           |    | 56,701                                                  | 43,544     | 100,245      |
| 2031           |    | 58,709                                                  | 42,075     | 100,784      |
| 2032           |    | 55,439                                                  | 40,569     | 96,008       |
| 2033           |    | 55,387                                                  | 38,780     | 94,167       |
| 2034           |    | 55,874                                                  | 37,339     | 93,213       |
| 2035           |    | 56,567                                                  | 35,957     | 92,524       |
| 2036           |    | 52,361                                                  | 34,332     | 86,693       |
| 2037           |    | 53,941                                                  | 32,844     | 86,785       |
| 2038           |    | 51,419                                                  | 31,158     | 82,577       |
| 2039           |    | 37,257                                                  | 29,296     | 66,553       |
| 2040           |    | 40,177                                                  | 27,985     | 68,162       |
| 2041           |    | 41,245                                                  | 26,593     | 67,838       |
| 2042           |    | 40,249                                                  | 25,155     | 65,404       |
| 2043           |    | 45,413                                                  | 23,601     | 69,014       |
| 2044           |    | 47,306                                                  | 21,795     | 69,101       |
| 2045           |    | 42,847                                                  | 20,042     | 62,889       |
| 2046           |    | 49,702                                                  | 18,208     | 67,910       |
| 2047           |    | 38,025                                                  | 15,332     | 53,357       |
| 2048           |    | 27,676                                                  | 14,199     | 41,875       |
| 2049           |    | 28,393                                                  | 13,657     | 42,050       |
| 2050           |    | 57,109                                                  | 12,537     | 69,646       |
| 2051           |    | 46,197                                                  | 11,292     | 57,489       |
| 2052           |    | 65,503                                                  | 10,092     | 75,595       |
| 2053           |    | 64,555                                                  | 8,608      | 73,163       |
| 2054           |    | 68,617                                                  | 7,282      | 75,899       |
| 2055           |    | 68,292                                                  | 5,937      | 74,229       |
| 2056           |    | 62,539                                                  | 4,726      | 67,265       |
| 2057           |    | 61,608                                                  | 3,654      | 65,262       |
| 2058           |    | 60,508                                                  | 2,592      | 63,100       |
| 2059           |    | 50,362                                                  | 1,543      | 51,905       |
| 2060           |    | 1,037                                                   | 13         | 1,050        |
| Total          | \$ | 1,807,250                                               | \$ 800,005 | \$ 2,607,255 |

# BUDGETARY COMPARISON SCHEDULE June 30, 2025

(in thousands)

(in thousands)

|                                            | Budget     |            |            | Variance<br>Favorable/<br>(Unfavorable) |                     |
|--------------------------------------------|------------|------------|------------|-----------------------------------------|---------------------|
|                                            | Adopted    | Amended    | Actual     | Amended<br>Budget                       | Percent<br>Variance |
| OPERATING BUDGET EXPENSES                  |            |            |            |                                         |                     |
| General Management                         | \$ 616     | \$ 617     | \$ 590     | \$ 27                                   | 4.4%                |
| Communications                             | 1,182      | 1,220      | 880        | 340                                     | 27.9%               |
| Finance                                    | 18,952     | 19,400     | 18,652     | 748                                     | 3.9%                |
| Information Technology                     | 22,300     | 24,326     | 19,970     | 4,356                                   | 17.9%               |
| Talent Management                          | 3,725      | 3,892      | 3,000      | 892                                     | 22.9%               |
| Operations                                 | 140,779    | 154,966    | 135,547    | 19,419                                  | 12.5%               |
| Engineering                                | 11,602     | 12,464     | 10,604     | 1,860                                   | 14.9%               |
| Water Quality                              | 18,838     | 19,622     | 18,353     | 1,269                                   | 6.5%                |
| General                                    | 5,564      | 6,526      | (977)      | 7,503                                   | 115.0%              |
| Debt Service - Including COI               | 88,000     | 88,000     | 104,725    | (16,725)                                | (19.0%)             |
| TOTAL                                      | 311,558    | 331,033    | 311,344    | \$ 19,689                               | 5.9%                |
| Transfer to CIP                            | 155,635    | 155,635    |            |                                         |                     |
| TOTAL BUDGET                               | \$ 467,193 | \$ 486,668 |            |                                         |                     |
| Add:                                       |            |            |            |                                         |                     |
| Unbudgeted Depreciation and Amortization   |            |            | 60,456     |                                         |                     |
| Unbudgeted Bad Debt Expense                |            |            | 4,309      |                                         |                     |
| Capital Improvement Program Items Expensed |            |            | 23,447     |                                         |                     |
| Less:                                      |            |            |            |                                         |                     |
| Capitalized Assets                         |            |            | 2,563      |                                         |                     |
| Debt Service                               |            |            | 104,725    |                                         |                     |
| Capital Distributions to Localities        |            |            | 811        |                                         |                     |
| TOTAL OPERATING EXPENSES                   |            |            | \$ 291,457 |                                         |                     |

## NOTES TO BUDGETARY COMPARISON SCHEDULE JUNE 30, 2025

### 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 2025 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 divisions.

### 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 division 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 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 2025 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, 2025**

(in thousands)

|                                                             | Actual            | Amended<br>Budget | Variance<br>Favorable/<br>(Unfavorable) | Budget<br>Variance<br>Percentage |
|-------------------------------------------------------------|-------------------|-------------------|-----------------------------------------|----------------------------------|
| <b>OPERATING REVENUES</b>                                   |                   |                   |                                         |                                  |
| Wastewater Treatment Charges                                | \$ 460,275        | \$ 450,655        | \$ 9,620                                | 2%                               |
| Miscellaneous                                               | 4,761             | 3,067             | 1,694                                   | 55%                              |
| <b>TOTAL OPERATING REVENUES</b>                             | <b>465,036</b>    | <b>453,722</b>    | <b>11,314</b>                           | <b>1%</b>                        |
| <b>CURRENT EXPENSES</b>                                     |                   |                   |                                         |                                  |
| General Management                                          | 590               | 617               | 27                                      | 4%                               |
| Communications                                              | 880               | 1,220             | 340                                     | 28%                              |
| Finance                                                     | 18,652            | 19,400            | 748                                     | 4%                               |
| Information Technology                                      | 19,970            | 24,326            | 4,356                                   | 18%                              |
| Talent Management                                           | 3,000             | 3,892             | 892                                     | 23%                              |
| Operations                                                  | 135,547           | 154,966           | 19,419                                  | 13%                              |
| Engineering                                                 | 10,604            | 12,464            | 1,860                                   | 15%                              |
| Water Quality                                               | 18,353            | 19,622            | 1,269                                   | 6%                               |
| General                                                     | (977)             | 6,526             | 7,503                                   | 115%                             |
| <b>TOTAL CURRENT EXPENSES</b>                               | <b>206,619</b>    | <b>243,033</b>    | <b>36,414</b>                           | <b>15%</b>                       |
| <b>EXCESS OF OPERATING REVENUES OVER EXPENSES</b>           | <b>258,417</b>    | <b>210,689</b>    | <b>47,728</b>                           | <b>23%</b>                       |
| <b>NON-OPERATING REVENUES</b>                               |                   |                   |                                         |                                  |
| Wastewater Facility Charge                                  | 6,928             | 6,170             | 758                                     | 12%                              |
| Interest Income                                             | 26,121            | 7,300             | 18,821                                  | 258%                             |
| <b>TOTAL NON-OPERATING REVENUES</b>                         | <b>33,049</b>     | <b>13,470</b>     | <b>19,579</b>                           | <b>145%</b>                      |
| <b>INCOME BEFORE CAPITAL CONTRIBUTIONS AND SPECIAL ITEM</b> | <b>291,466</b>    | <b>224,159</b>    | <b>67,307</b>                           | <b>30%</b>                       |
| <b>CAPITAL CONTRIBUTIONS</b>                                |                   |                   |                                         |                                  |
| Other Capital Contributions                                 | 143,841           | -                 | 143,841                                 | 100%                             |
| <b>INCOME BEFORE SPECIAL ITEM</b>                           | <b>435,307</b>    | <b>224,159</b>    | <b>211,148</b>                          | <b>94%</b>                       |
| Special Item                                                | 23,758            | -                 | 23,758                                  | 100%                             |
| <b>AMOUNT AVAILABLE FOR DEBT</b>                            | <b>459,065</b>    | <b>224,159</b>    | <b>234,906</b>                          | <b>105%</b>                      |
| <b>DEBT SERVICE</b>                                         |                   |                   |                                         |                                  |
| Principal and Interest                                      | 103,374           | 104,691           | 1,317                                   | 1%                               |
| Cost of Issuance                                            | 1,351             | 300               | (1,051)                                 | (350%)                           |
| <b>TOTAL DEBT SERVICE</b>                                   | <b>104,725</b>    | <b>104,991</b>    | <b>266</b>                              | <b>0%</b>                        |
| <b>AMOUNT AVAILABLE TO REINVEST</b>                         | <b>\$ 354,340</b> | <b>\$ 119,168</b> | <b>\$ 235,172</b>                       | <b>197%</b>                      |

**OBJECTIVE CLASSIFICATION OF DIVISIONAL EXPENSES  
FOR OPERATIONS - ACTUAL TO BUDGET  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

(in thousands)

|                       | General<br>Management | Communications | Finance          | Information<br>Technology | Talent<br>Management | Operations        |
|-----------------------|-----------------------|----------------|------------------|---------------------------|----------------------|-------------------|
| Personal Services     | \$ 431                | \$ 485         | \$ 8,269         | \$ 7,019                  | \$ 1,951             | \$ 45,061         |
| Fringe Benefits       | 110                   | 139            | 3,008            | 2,226                     | 688                  | 17,077            |
| Materials & Supplies  | 2                     | 117            | 70               | 1,387                     | 62                   | 12,251            |
| Transportation        | 12                    | 13             | 31               | 22                        | 20                   | 1,964             |
| Utilities             | -                     | -              | 189              | 1,693                     | -                    | 13,616            |
| Chemical Purchases    | -                     | -              | -                | -                         | -                    | 14,895            |
| Contractual Services  | 13                    | 88             | 6,857            | 6,796                     | 126                  | 20,911            |
| Major Repairs         | -                     | -              | -                | 588                       | -                    | 6,161             |
| Capital Assets        | -                     | -              | -                | -                         | -                    | 2,563             |
| Miscellaneous Expense | 22                    | 38             | 228              | 239                       | 153                  | 1,048             |
|                       | <b>\$ 590</b>         | <b>\$ 880</b>  | <b>\$ 18,652</b> | <b>\$ 19,970</b>          | <b>\$ 3,000</b>      | <b>\$ 135,547</b> |

**OBJECTIVE CLASSIFICATION OF DIVISIONAL EXPENSES  
FOR OPERATIONS - ACTUAL TO BUDGET  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

(in thousands)

|                                 | Engineering      | Water Quality    | General         | Total             | Percent of<br>Total | Amended<br>Budget | Variance<br>Favorable/<br>(Unfavorable) |
|---------------------------------|------------------|------------------|-----------------|-------------------|---------------------|-------------------|-----------------------------------------|
| Personal Services               | \$ 7,059         | \$ 10,603        | \$ (913)        | \$ 79,965         | 26%                 | \$ 80,140         | \$ 175                                  |
| Fringe Benefits                 | 2,228            | 3,906            | (8,616)         | 20,766            | 7%                  | 30,767            | 10,001                                  |
| Materials & Supplies            | 32               | 1,627            | 15              | 15,563            | 5%                  | 15,246            | (317)                                   |
| Transportation                  | 34               | 22               | -               | 2,118             | 1%                  | 2,383             | 265                                     |
| Utilities                       | -                | 1                | 992             | 16,491            | 5%                  | 16,643            | 152                                     |
| Chemical Purchases              | -                | -                | -               | 14,895            | 5%                  | 16,974            | 2,079                                   |
| Contractual Services            | 1,016            | 1,768            | 6,976           | 44,551            | 14%                 | 57,869            | 13,318                                  |
| Major Repairs                   | -                | 35               | -               | 6,784             | 2%                  | 16,779            | 9,995                                   |
| Capital Assets                  | -                | -                | -               | 2,563             | 1%                  | 2,361             | (202)                                   |
| Miscellaneous Expense           | 235              | 391              | 569             | 2,923             | 1%                  | 3,871             | 948                                     |
|                                 | <u>\$ 10,604</u> | <u>\$ 18,353</u> | <u>\$ (977)</u> | <u>\$ 206,619</u> | <u>67%</u>          | <u>\$ 243,033</u> | <u>\$ 36,414</u>                        |
| Debt Service                    |                  |                  |                 |                   |                     |                   |                                         |
| Principal and Interest          |                  |                  |                 | 103,374           | 33%                 | 104,691           | 1,317                                   |
| Cost of Issuance                |                  |                  |                 | 1,351             | 0%                  | 300               | (1,051)                                 |
| Total Debt Service              |                  |                  |                 | <u>\$ 104,725</u> | <u>34%</u>          | <u>\$ 104,991</u> | <u>\$ 266</u>                           |
| Total Division and Debt Service |                  |                  |                 | <u>\$ 311,344</u> | <u>100%</u>         | <u>\$ 348,024</u> | <u>\$ 36,680</u>                        |

**DIVISION SUMMARY OF EXPENSES  
ACTUAL TO BUDGET  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

(in thousands)

|                        | Actual        | Amended<br>Budget | Variance<br>Favorable/<br>(Unfavorable) |
|------------------------|---------------|-------------------|-----------------------------------------|
| General Management     |               |                   |                                         |
| Personal Services      | \$ 431        | \$ 360            | \$ (71)                                 |
| Fringe Benefits        | 110           | 93                | (17)                                    |
| Materials & Supplies   | 2             | 10                | 8                                       |
| Transportation         | 12            | 13                | 1                                       |
| Contractual Services   | 13            | 121               | 108                                     |
| Miscellaneous Expense  | 22            | 20                | (2)                                     |
|                        | <u>590</u>    | <u>617</u>        | <u>27</u>                               |
| Communications         |               |                   |                                         |
| Personal Services      | 485           | 488               | 3                                       |
| Fringe Benefits        | 139           | 155               | 16                                      |
| Materials & Supplies   | 117           | 313               | 196                                     |
| Transportation         | 13            | 17                | 4                                       |
| Contractual Services   | 88            | 214               | 126                                     |
| Miscellaneous Expense  | 38            | 33                | (5)                                     |
|                        | <u>880</u>    | <u>1,220</u>      | <u>340</u>                              |
| Finance                |               |                   |                                         |
| Personal Services      | 8,269         | 8,356             | 87                                      |
| Fringe Benefits        | 3,008         | 3,203             | 195                                     |
| Materials & Supplies   | 70            | 88                | 18                                      |
| Transportation         | 31            | 25                | (6)                                     |
| Utilities              | 189           | 258               | 69                                      |
| Contractual Services   | 6,857         | 7,179             | 322                                     |
| Miscellaneous Expense  | 228           | 291               | 63                                      |
|                        | <u>18,652</u> | <u>19,400</u>     | <u>748</u>                              |
| Information Technology |               |                   |                                         |
| Personal Services      | 7,019         | 7,902             | 883                                     |
| Fringe Benefits        | 2,226         | 2,515             | 289                                     |
| Materials & Supplies   | 1,387         | 1,464             | 77                                      |
| Transportation         | 22            | 28                | 6                                       |
| Utilities              | 1,693         | 1,491             | (202)                                   |
| Contractual Services   | 6,796         | 9,068             | 2,272                                   |
| Major Repairs          | 588           | 1,557             | 969                                     |
| Miscellaneous Expense  | 239           | 301               | 62                                      |
|                        | <u>19,970</u> | <u>24,326</u>     | <u>4,356</u>                            |

(Continued)

**DIVISION SUMMARY OF EXPENSES  
ACTUAL TO BUDGET  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

(in thousands)

|                                  | Actual            | Amended<br>Budget | Variance<br>Favorable/<br>(Unfavorable) |
|----------------------------------|-------------------|-------------------|-----------------------------------------|
| <b>Talent Management</b>         |                   |                   |                                         |
| Personal Services                | \$ 1,951          | \$ 2,409          | \$ 458                                  |
| Fringe Benefits                  | 688               | 843               | 155                                     |
| Materials & Supplies             | 62                | 70                | 8                                       |
| Transportation                   | 20                | 28                | 8                                       |
| Contractual Services             | 126               | 177               | 51                                      |
| Miscellaneous Expense            | 153               | 365               | 212                                     |
|                                  | <u>3,000</u>      | <u>3,892</u>      | <u>892</u>                              |
| <b>Operations</b>                |                   |                   |                                         |
| Personal Services                | 45,061            | 44,959            | (102)                                   |
| Fringe Benefits                  | 17,077            | 18,306            | 1,229                                   |
| Materials & Supplies             | 12,251            | 11,424            | (827)                                   |
| Transportation                   | 1,964             | 2,198             | 234                                     |
| Utilities                        | 13,616            | 14,256            | 640                                     |
| Chemical Purchases               | 14,895            | 16,974            | 2,079                                   |
| Contractual Services             | 20,911            | 28,039            | 7,128                                   |
| Major Repairs                    | 6,161             | 15,201            | 9,040                                   |
| Capital Assets                   | 2,563             | 2,361             | (202)                                   |
| Miscellaneous Expense            | 1,048             | 1,248             | 200                                     |
|                                  | <u>135,547</u>    | <u>154,966</u>    | <u>19,419</u>                           |
| <b>Engineering</b>               |                   |                   |                                         |
| Personal Services                | 7,059             | 7,609             | 550                                     |
| Fringe Benefits                  | 2,228             | 2,549             | 321                                     |
| Materials & Supplies             | 32                | 45                | 13                                      |
| Transportation                   | 34                | 33                | (1)                                     |
| Contractual Services             | 1,016             | 1,912             | 896                                     |
| Miscellaneous Expense            | 235               | 316               | 81                                      |
|                                  | <u>10,604</u>     | <u>12,464</u>     | <u>1,860</u>                            |
| <b>Water Quality</b>             |                   |                   |                                         |
| Personal Services                | 10,603            | 10,738            | 135                                     |
| Fringe Benefits                  | 3,906             | 4,255             | 349                                     |
| Materials & Supplies             | 1,627             | 1,810             | 183                                     |
| Transportation                   | 22                | 41                | 19                                      |
| Utilities                        | 1                 | 3                 | 2                                       |
| Contractual Services             | 1,768             | 2,169             | 401                                     |
| Major Repairs                    | 35                | 21                | (14)                                    |
| Miscellaneous Expense            | 391               | 585               | 194                                     |
|                                  | <u>18,353</u>     | <u>19,622</u>     | <u>1,269</u>                            |
| <b>General</b>                   |                   |                   |                                         |
| Personal Services                | (913)             | (2,681)           | (1,768)                                 |
| Fringe Benefits                  | (8,616)           | (1,152)           | 7,464                                   |
| Materials & Supplies             | 15                | 22                | 7                                       |
| Utilities                        | 992               | 635               | (357)                                   |
| Contractual Services             | 6,976             | 8,990             | 2,014                                   |
| Miscellaneous Expense            | 569               | 712               | 143                                     |
|                                  | <u>(977)</u>      | <u>6,526</u>      | <u>7,503</u>                            |
| <b>TOTAL DIVISIONAL EXPENSES</b> | <u>\$ 206,619</u> | <u>\$ 243,033</u> | <u>\$ 36,414</u>                        |







**HRSD**

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