



# **ANNUAL COMPREHENSIVE FINANCIAL REPORT**

for the Fiscal Years Ended June 30, 2024 and 2023

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





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# **HAMPTON ROADS SANITATION DISTRICT**

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

**PREPARED BY THE FINANCE DEPARTMENT**



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# TABLE OF CONTENTS

ANNUAL COMPREHENSIVE FINANCIAL REPORT / HAMPTON ROADS SANITATION DISTRICT

## INTRODUCTORY SECTION

Transmittal Letter . . . . .	1
GFOA Certificate of Achievement for Excellence in Financial Reporting . . . . .	3
Principal Officials . . . . .	4
HRSD Organization Chart . . . . .	5
HRSD Service Area . . . . .	6
HRSD History . . . . .	7

## FINANCIAL SECTION

Report of Independent Auditor . . . . .	11
Management's Discussion and Analysis (Unaudited) . . . . .	14

### Basic Financial Section

Statements of Net Position . . . . .	20
Statements of Revenues, Expenses and Changes in Net Position . . . . .	22
Statements of Cash Flows . . . . .	23
Statements of Fiduciary Net Position . . . . .	24
Statements of Changes in Fiduciary Net Position . . . . .	25
Notes to Financial Statements . . . . .	26

## REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Index to Required Supplementary Information . . . . .	63
Schedule of Employer Pension Contributions . . . . .	65
Schedule of Changes in Net Pension Liability and Related Ratios . . . . .	66
Schedule of Employer RHP OPEB Contributions . . . . .	68
Schedule of Changes in Net RHP OPEB Liability (Asset) and Related Ratios . . . . .	69
Schedule of Employer GLI OPEB Contributions . . . . .	70
Schedule of Employer's Share of Net GLI OPEB Liability and Related Ratios . . . . .	71
Schedule of Employer HIC OPEB Contributions . . . . .	72
Schedule of Changes in Net HIC OPEB Liability and Related Ratios . . . . .	73

# TABLE OF CONTENTS

ANNUAL COMPREHENSIVE FINANCIAL REPORT / HAMPTON ROADS SANITATION DISTRICT

## STATISTICAL SECTION (UNAUDITED)

Index to Statistical Section . . . . .	77
Demographic and Other Miscellaneous Statistics . . . . .	79
Schedule of Operating Revenues, Expenses, Net Position by Component and Debt Service Expenses . . . . .	80
Objective Classification of Departmental Expenses for Operations . . . . .	82
Ratios of Outstanding Debt by Type . . . . .	83
Rate Schedule - Wastewater Treatment Charges . . . . .	84
Rate Schedule - Wastewater Facility Charges . . . . .	85
Treatment Plant Operating Summary . . . . .	86
Ten Largest Customers . . . . .	89
Ten Largest Employers . . . . .	90
Comparison of Treated Flow to Billed Flow . . . . .	91
Number of Employees by Identifiable Activity . . . . .	92

## OTHER SUPPLEMENTAL SECTION (UNAUDITED)

Index to Other Supplemental Section . . . . .	95
Summary of Primary Bonded Debt Service . . . . .	96
Budgetary Comparison Schedule . . . . .	97
Notes to Budgetary Comparison Schedule . . . . .	98
Schedule of Revenues, Expenses and Debt Service for Operations . . . . .	99
Objective Classification of Departmental Expenses for Operations . . . . .	100
Department Summary of Expenses . . . . .	102



# INTRODUCTORY SECTION



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October 21, 2024

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

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

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

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

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

### **Profile of HRSD**

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

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

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

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

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



## Local Economy

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

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

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

## Long-Term Financial Planning

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

## Major Initiatives

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

## Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to HRSD for its annual comprehensive financial report (Annual Report) for the fiscal year ended June 30, 2023. This was the 41<sup>st</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 of the entire Department of Finance staff. All members of the department have our sincere appreciation for their contributions to the preparation of this report. Credit must also be given to the Commission for their support for maintaining the highest standard of professionalism in the management of HRSD's finances.

Respectfully submitted,



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



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



Kassandra Pagan  
Director of Accounting



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Hampton Roads Sanitation District  
Virginia**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2023

*Christopher P. Merrill*

Executive Director/CEO

## Principal Officials

June 30, 2024

### COMMISSIONERS

Stephen C. Rodriguez, Chair

Frederick N. Elofson, CPA, Vice-Chair

Michael E. Glenn

Vishnu K. Lakdawala, PhD

Willie Levenston, Jr.

Nancy J. Stern

Elizabeth A. Taraski, PhD

Ann W. Templeman

### COMMISSION SECRETARY

Jennifer L. Cascio

### ASSISTANT COMMISSION SECRETARY

Elizabeth I. Scott

### SENIOR STAFF

Jay A. Bernas, PE  
General Manager

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

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

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

Donald C. Corrado  
Director of Information Technology

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

Jamie Heisig-Mitchell  
Director of Water Quality

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

Leila E. Rice, APR  
Director of Communications

### COUNSEL

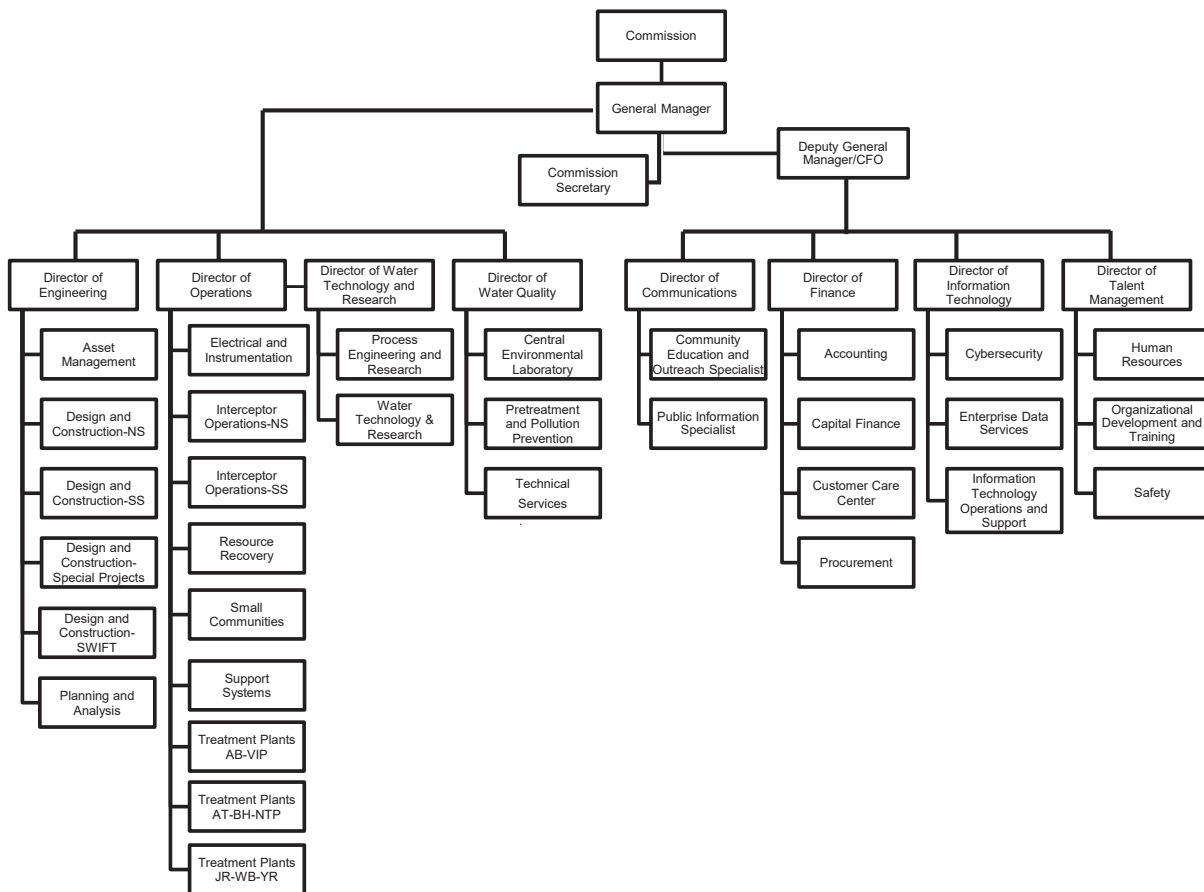
Sands Anderson, PC  
General Counsel

AquaLaw, PLC  
Special Counsel

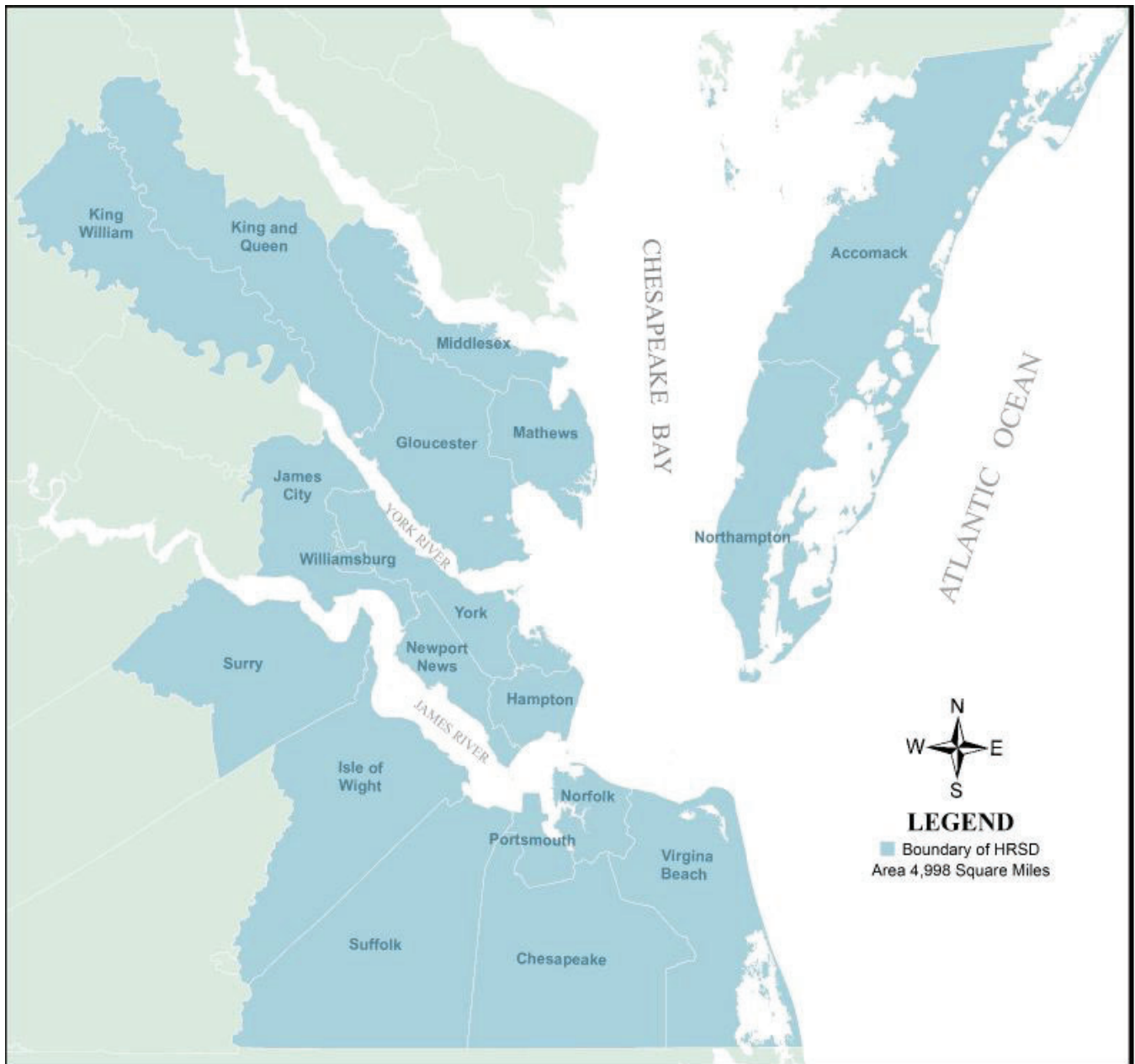
Norton Rose Fulbright US, LLP  
Bond Counsel

## HRSD Organization Chart

June 30, 2024



## HRSD Service Area June 30, 2024





## HRSD History

### June 30, 2024

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

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

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

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

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

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



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# FINANCIAL SECTION



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## Report of Independent Auditor

To the Commissioners  
Hampton Roads Sanitation District

### Report on the Audit of the Financial Statements

#### Opinions

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

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

#### Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia (the "Specifications"). Our responsibilities under those standards and Specifications are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of HRSD, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management for the Financial Statements

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

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

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

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



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

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

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

#### ***Required Supplementary Information***

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

#### ***Other Information***

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

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

**Other Reporting Required by Government Auditing Standards**

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



Virginia Beach, Virginia  
October 21, 2024

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

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

### FINANCIAL HIGHLIGHTS

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

### OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

## FINANCIAL ANALYSIS

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

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

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

### HRSD's Condensed Statements of Net Position

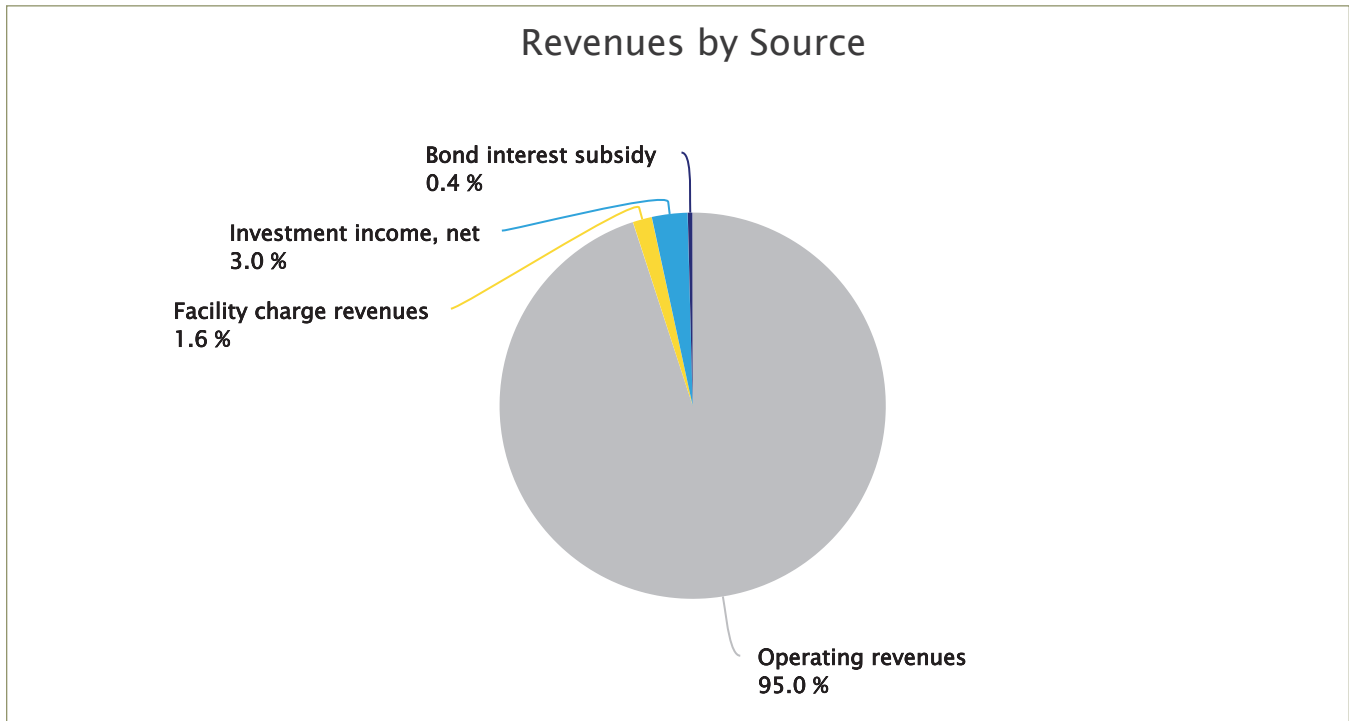
(in thousands)				2024 vs. 2023	
	2024	2023	2022	Dollars	Percent
Capital assets	\$ 2,511,633	\$ 2,012,351	\$ 1,715,108	\$ 499,282	24.8%
Current and noncurrent assets	406,262	334,314	346,767	71,948	21.5%
<b>Total assets</b>	<b>2,917,895</b>	<b>2,346,665</b>	<b>2,061,875</b>	<b>571,230</b>	<b>24.3%</b>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

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

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

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



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



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

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

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

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

#### HRSD's Capital Assets

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

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

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

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

## Long Term Debt

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

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

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

### HRSD's Outstanding Debt

(in thousands)	2024	2023	2022
Senior revenue bonds (including Bond Premium)	\$ 1,317,445	\$ 166,268	\$ 186,226
Subordinate revenue bonds (including Bond Premium)	-	813,474	682,246
Notes Payable	100,000	68,580	33,721
<b>Total outstanding debt</b>	<b>\$ 1,417,445</b>	<b>\$ 1,048,322</b>	<b>\$ 902,193</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 an "Adjusted" debt service coverage basis. The "adjusted" debt service coverage permits certain expenses to be excluded from the calculation of debt service coverage. These adjustments are permitted for certain wet weather capacity related infrastructure capital improvements that HRSD makes on assets owned by the localities that HRSD serves.

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

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

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

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

## ECONOMIC FACTORS AND RATES

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

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

## CONTACTING HRSD'S FINANCIAL MANAGEMENT

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

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

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

(in thousands)

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

See Accompanying Notes to Financial Statements

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

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

(in thousands)

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

See Accompanying Notes to Financial Statements



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

(in thousands)

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

See Accompanying Notes to Financial Statements

## STATEMENTS OF CASH FLOWS

### FOR THE FISCAL YEARS ENDED JUNE 30, 2024 and 2023

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

See Accompanying Notes to Financial Statements

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

(in thousands)

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

See Accompanying Notes to Financial Statements

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

(in thousands)

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

See Accompanying Notes to Financial Statements

**NOTES TO THE FINANCIAL STATEMENTS**
**NOTES TO FINANCIAL STATEMENTS**
**NOTE 1 - GENERAL INFORMATION**
Organization and Administration

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

Regulatory Oversight

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

Purpose of HRSD

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

Corporate Limits of HRSD

The geographical limits of HRSD include:

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

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**
Reporting Entity

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

Basis of Accounting

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



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

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

#### Budgetary Accounting and Control

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

#### Fiduciary Activities

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

#### Cash Equivalents

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

#### Investments

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

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

#### Allowance for Uncollectible Accounts

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

#### Inventory

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

**NOTES TO THE FINANCIAL STATEMENTS**

Property, Plant and Equipment

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

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

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

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

Deferred Outflows and Inflows of Resources

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

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

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

Revenue Recognition

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

Operating and Non-operating Revenues and Expenses Recognition

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

Compensated Absences

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

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

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

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

#### Postemployment Benefits Other Than Pensions (OPEB)

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

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

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

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

#### Pensions

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

#### Use of Estimates

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

**NOTE 3 - DEPOSITS AND INVESTMENTS**

Deposits and investments

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

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

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

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

The components of investments at June 30 are as follows:

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

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

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

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

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

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

**NOTE 4 - ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS**

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

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

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



**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 5 - PROPERTY, PLANT AND EQUIPMENT**

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

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

**NOTE 6 - COMPENSATED ABSENCES**

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

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

**NOTE 7 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

Plan Description

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

RHP

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

*Eligible Employees*

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

*Benefits provided*

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

GLI

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

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

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

*Eligible Employees*

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

*Benefit Amounts*

The benefits payable under the GLI Program have several components.

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

*Reduction in Benefit Amounts*

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

HIC

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

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

*Eligible Employees*

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

*Benefit Amounts*

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

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

*HIC Program Notes:*

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

Employees Covered by Benefit Terms

RHP

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

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

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

HIC

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

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

ContributionsRHP

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

GLI

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

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

HIC

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

RHP

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

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

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

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

GLI

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

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

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



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

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

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

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

### HIC

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

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

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

Combined OPEB RHP, GLI and HIC

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

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

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

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

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

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

### Actuarial Methods and Assumptions

#### RHP

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

Year Ended June 30, 2024:

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

Mortality rates for the RHP are as follows:

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

Year Ended June 30, 2023:

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

Mortality rates for the RHP are as follows:

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

## NOTES TO THE FINANCIAL STATEMENTS

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

Year Ended June 30, 2023:

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

Mortality tables and assumptions for GLI are as follows:

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

Year Ended June 30, 2022:

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

Mortality tables and assumptions for GLI are as follows:

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

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

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

HIC

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

Year Ending June 30, 2023:

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

Mortality tables and assumptions for HIC are as follows:

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### Long-Term Expected Rate of Return

#### RHP

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

Year Ended June 30, 2024

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

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

Year Ended June 30, 2023

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

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



GLI and HIC

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

Year Ended June 30, 2024

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

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

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

Year Ended June 30, 2023

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

## Discount Rates

## RHP

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

## GLI and HIC

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

## Change in Net OPEB Liability

## RHP

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

(in thousands)	Total RHP OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net RHP OPEB Liability (a) - (b)
<b>RHP OPEB Liability Balances at June 30, 2022</b>	<b>\$ 74,541</b>	<b>\$ 62,137</b>	<b>\$ 12,404</b>
Changes for the year - Increase (Decrease):			
Service cost	1,534	-	1,534
Interest	4,398	-	4,398
Changes of assumptions	(5,285)	-	(5,285)
Difference between expected and actual experience	3,617	-	3,617
Contributions - employer	-	2,467	(2,467)
Net investment income	-	5,148	(5,148)
Benefit payments, including refunds of employee contributions	(2,329)	(2,329)	-
Net changes	1,935	5,286	(3,351)
<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>

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

GLI

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

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

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

HIC

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

(in thousands)	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (a) - (b)
<b>HIC OPEB Liability Balances at June 30, 2021</b>	<b>\$ 2,196</b>	<b>\$ 1,135</b>	<b>\$ 1,061</b>
Changes for the year - Increase (Decrease):			
Service cost	22	-	22
Interest	145	-	145
Changes of assumptions	88	-	88
Difference between expected and actual experience	(59)	-	(59)
Contributions - employer	-	115	(115)
Net investment income	-	2	(2)
Benefit payments, including refunds of employee contributions	(151)	(151)	-
Administrative expense	-	(2)	2
Other changes	-	9	(9)
Net changes	45	(27)	72
<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>

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

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

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

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

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

GLI

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

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

HIC

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

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

### GLI Fiduciary Net Position and HIC Plan Data

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

## **NOTE 8 – DEFINED BENEFIT PENSION PLAN**

### Pensions

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

### Plan Description

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

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

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

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

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

Employees Covered by Benefit Terms

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

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

Contributions

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

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



Net Pension Liability

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

Actuarial Methods and Assumptions

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

Year Ended June 30, 2023

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent to 5.35 percent
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation
Mortality:	
Mortality rates:	
Pre-Retirement	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years
Post-Retirement	Pub-2010 Amount Weighted Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set back 3 years.
Post-Disablement	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years
Beneficiaries and Survivors	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years
Mortality Improvement	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

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

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

Year Ended June 30, 2023

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

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

**NOTES TO THE FINANCIAL STATEMENTS**
Long-Term Expected Rate of Return

The long-term expected rate of return on pension system investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected real rates of return (expected returns, net of pension system investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

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

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

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

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

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

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

Discount Rate

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

Changes in Net Pension Liability

(in thousands)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Pension Liability Balances at June 30, 2021</b>	<b>\$ 270,323</b>	<b>\$ 268,160</b>	<b>\$ 2,163</b>
Changes for the year - Increase (Decrease):			
Service cost	3,833	-	3,833
Interest	18,012	-	18,012
Difference between expected and actual experience	44	-	44
Contributions - employer	-	3,440	(3,440)
Contributions - employee	-	2,578	(2,578)
Net investment income	-	(140)	140
Benefit payments, including refunds of employee contributions	(14,637)	(14,637)	-
Administrative expense	-	(169)	169
Other changes	-	6	(6)
Net changes	7,252	(8,922)	16,174
<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>

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

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

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

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

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

Pension Plan Data

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

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

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

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

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

**Bonds**

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

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

**Virginia Resources Authority (VRA)**

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

**Water Infrastructure Finance and Innovation Act (WIFIA)**

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

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



## Senior bonds outstanding at June 30, 2024:

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

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

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

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

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

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

Reserved Portion of Unrestricted Net Position

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

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

**NOTE 11 - RISK MANAGEMENT**

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

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

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

**NOTE 12 – COMMITMENTS AND 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

**NOTES TO THE FINANCIAL STATEMENTS**

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

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

**Capital Commitments**

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

**NOTE 13 – FAIR VALUE MEASUREMENTS**

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

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

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

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

HRSD OPEB Trust Investments

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

(in thousands)

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

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

**Cash Equivalents Measured at Net Asset Value**

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

\$ 75,757

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

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

**Cash Equivalents Measured at Net Asset Value**

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

\$ 67,423

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

**NOTE 14 - FIDUCIARY ACTIVITIES**

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

Retiree Health Plan

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

American Recovery Plan Act

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

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

**NOTES TO THE FINANCIAL STATEMENTS**
**NOTE 15 - SUBSEQUENT EVENTS**

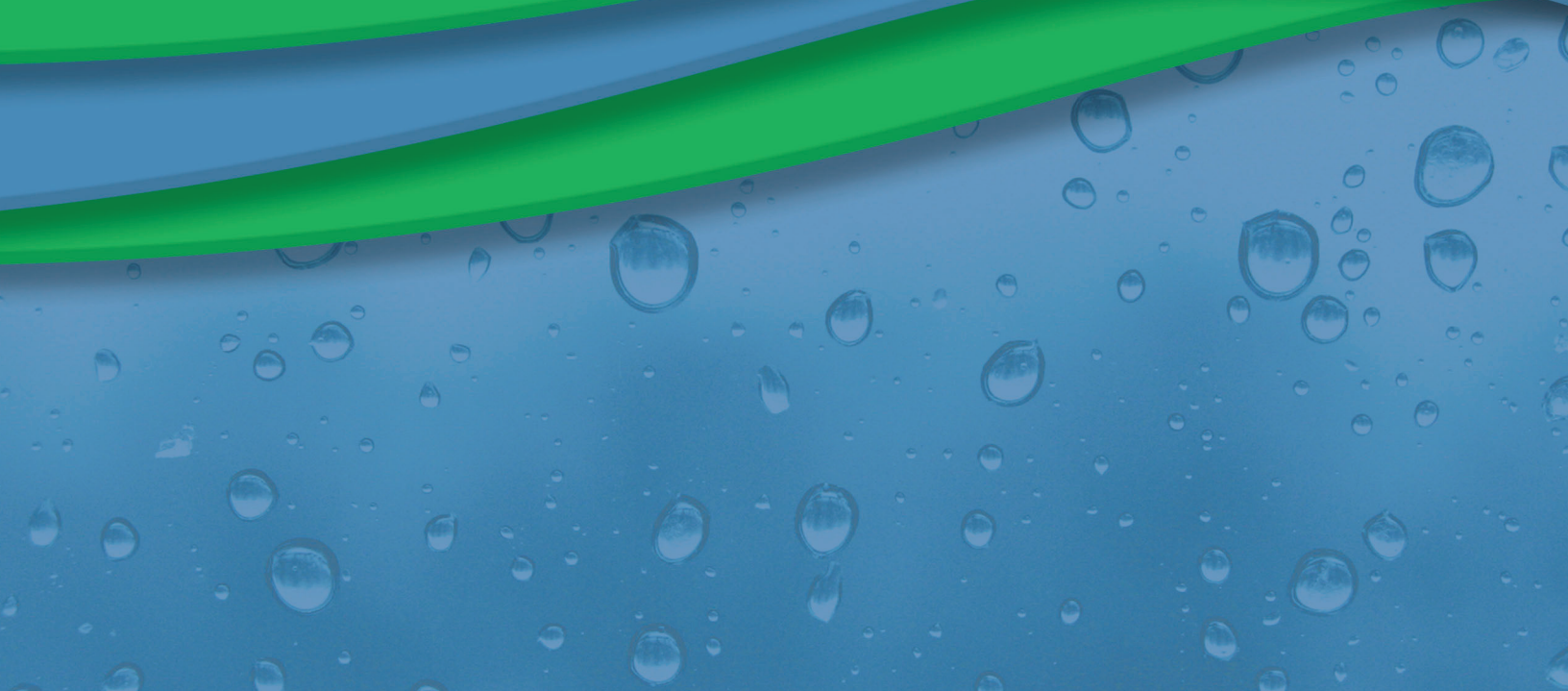
On July 23, 2024, HRSD conducted a successful sale of the Wastewater Revenue Bonds, Series 2024B, raising \$268 million to fund capital projects, including HRSD's SWIFT projects. The bonds were sold at an overall interest rate of 4.15% and will be repaid through 2054. The bonds were sold via a negotiated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

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





# **REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**





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# INDEX TO REQUIRED SUPPLEMENTARY INFORMATION

ANNUAL COMPREHENSIVE FINANCIAL REPORT / HAMPTON ROADS SANITATION DISTRICT

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

<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	
<b>OPEB</b>	<b>68</b>
Schedule of Employer OPEB Contributions and Schedule of Changes in Net Liability for each of HRSD's three OPEB plans: RHP, GLI and HIC	

Unaudited – See accompanying independent auditors' report



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

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

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

##### Changes of benefit terms

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

##### Changes of assumptions

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

##### Mortality Rates:

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

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



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

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

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



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

(in thousands)

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

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

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

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

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

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

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

(in thousands)

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

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

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

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

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

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

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

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

Changes of benefit terms

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

Changes of assumptions

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

Mortality rates:

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

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

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

(in thousands)

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

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

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

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

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

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

**Changes of benefit terms**

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

**Changes of assumptions**

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

**Mortality rates:**

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

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



### SCHEDULE OF CHANGES IN NET HIC OPEB LIABILITY AND RELATED RATIOS

(in thousands)

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

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



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# **STATISTICAL SECTION (UNAUDITED)**



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# INDEX TO STATISTICAL SECTION

ANNUAL COMPREHENSIVE FINANCIAL REPORT / HAMPTON ROADS SANITATION DISTRICT

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

<b>Contents</b>	<b>Page</b>
<b>Demographic and Economic Information</b>	<b>79</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>80</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>83</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>84</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>86</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.

Unaudited – See accompanying independent auditors' report



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

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

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

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

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

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

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

Unaudited – See accompanying independent auditors' report

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

(in thousands)	2024	2023	2022	2021	2020
<b>OPERATING REVENUES</b>					
Wastewater treatment charges	\$ 422,784	\$ 383,115	\$ 352,414	\$ 325,817	\$ 318,585
Miscellaneous	4,157	4,820	5,532	3,952	3,447
<b>TOTAL OPERATING REVENUES</b>	<b>426,941</b>	<b>387,935</b>	<b>357,946</b>	<b>329,769</b>	<b>322,032</b>
<b>OPERATING EXPENSES</b>					
Wastewater treatment	167,327	149,532	134,135	132,820	122,393
General and administrative	60,152	53,995	45,673	48,691	46,949
Depreciation	57,053	54,469	54,357	53,278	51,383
<b>TOTAL OPERATING EXPENSES</b>	<b>284,532</b>	<b>257,996</b>	<b>234,165</b>	<b>234,789</b>	<b>220,725</b>
<b>OPERATING INCOME</b>	<b>142,409</b>	<b>129,939</b>	<b>123,781</b>	<b>94,980</b>	<b>101,307</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Wastewater facility charges	7,153	7,293	7,072	7,379	6,444
Investment income	13,673	6,068	(1,651)	471	5,876
Bond interest subsidy	1,622	2,015	2,052	2,167	2,205
Change in fair value of investments	-	-	-	-	-
Capital distributions to localities	(2,005)	(2,422)	(13)	(376)	-
Bond issuance costs	(1,000)	(98)	(311)	(682)	(1,290)
Disposal of capital assets	-	-	-	-	(739)
Interest expense	(33,642)	(27,132)	(25,007)	(25,339)	(26,179)
<b>NET NON-OPERATING EXPENSES</b>	<b>(14,199)</b>	<b>(14,276)</b>	<b>(17,858)</b>	<b>(16,380)</b>	<b>(13,683)</b>
<b>INCOME BEFORE CONTRIBUTIONS</b>	<b>128,210</b>	<b>115,663</b>	<b>105,923</b>	<b>78,600</b>	<b>87,624</b>
<b>CAPITAL CONTRIBUTIONS</b>					
State capital grants	34,183	234	200	-	-
Other capital contributions	12,242	1,641	2,537	2,317	578
<b>CHANGE IN NET POSITION</b>	<b>\$ 174,635</b>	<b>\$ 117,538</b>	<b>\$ 108,660</b>	<b>\$ 80,917</b>	<b>\$ 88,202</b>
<b>NET POSITION</b>					
Net investment in capital assets	\$ 1,110,507	\$ 981,437	\$ 832,427	\$ 776,253	\$ 646,505
Restricted for debt service	22,307	33,830	33,134	30,455	28,155
Restricted for debt service reserve fund	-	-	-	-	-
Unrestricted	218,843	279,293	193,923	144,116	195,247
<b>TOTAL NET POSITION</b>	<b>\$ 1,351,657</b>	<b>\$ 1,294,560</b>	<b>\$ 1,059,484</b>	<b>\$ 950,824</b>	<b>\$ 869,907</b>
Net Revenues Available for Debt Service (GAAP)	218,905	197,264	185,287	157,217	165,925
Add Back: Operating Expenses on Improvements Not Owned by HRSD *	2,005	2,422	13	376	0
<b>Net Revenues Available for Debt Service (Adjusted)</b>	<b>\$ 220,910</b>	<b>\$ 199,686</b>	<b>\$ 185,300</b>	<b>\$ 157,593</b>	<b>\$ 165,925</b>
<b>DEBT SERVICE</b>					
Senior debt	\$ 76,894	\$ 27,624	\$ 24,549	\$ 26,085	\$ 28,595
Subordinate debt	-	38,767	36,468	33,128	30,416
<b>Total Debt Service</b>	<b>\$ 76,894</b>	<b>\$ 66,391</b>	<b>\$ 61,017</b>	<b>\$ 59,213</b>	<b>\$ 59,011</b>
<b>Debt Service Coverage</b>					
Senior Debt Service Coverage (GAAP) **	2.85	7.14	7.55	6.03	5.80
Total Debt Service Coverage (GAAP)	2.85	2.97	3.04	2.66	2.81
Total Debt Service Coverage (Adjusted Cash Basis)	2.87	3.01	3.04	2.66	2.81

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

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

(Continued)

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

(in thousands)

	2019	2018	2017	2016	2015
<b>OPERATING REVENUES</b>					
Wastewater treatment charges	\$ 299,323	\$ 275,539	\$ 254,961	\$ 234,020	\$ 221,626
Miscellaneous	3,798	3,504	3,669	3,861	3,935
<b>TOTAL OPERATING REVENUES</b>	<b>303,121</b>	<b>279,043</b>	<b>258,630</b>	<b>237,881</b>	<b>225,561</b>
<b>OPERATING EXPENSES</b>					
Wastewater treatment	117,189	116,982	113,100	106,575	114,137
General and administrative	41,121	40,480	40,287	40,026	38,678
Depreciation	53,225	52,349	49,311	45,670	41,871
<b>TOTAL OPERATING EXPENSES</b>	<b>211,535</b>	<b>209,811</b>	<b>202,698</b>	<b>192,271</b>	<b>194,686</b>
<b>OPERATING INCOME</b>	<b>91,586</b>	<b>69,232</b>	<b>55,932</b>	<b>45,610</b>	<b>30,875</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Wastewater facility charges	6,662	6,673	7,511	6,699	7,428
Investment income	8,719	3,654	2,287	1,563	1,695
Bond interest subsidy	2,308	2,330	2,275	2,399	2,444
Change in fair value of investments	-	(1,382)	(1,119)	750	(286)
Capital distributions to localities	-	(311)	(138)	(3,287)	-
Bond issuance costs	(53)	(1,061)	(42)	(1,713)	(768)
Disposal of capital assets	-	-	-	-	-
Interest expense	(27,964)	(20,226)	(22,630)	(21,631)	(22,958)
<b>NET NON-OPERATING EXPENSES</b>	<b>(10,328)</b>	<b>(10,323)</b>	<b>(11,856)</b>	<b>(15,220)</b>	<b>(12,445)</b>
<b>INCOME BEFORE CONTRIBUTIONS</b>	<b>81,258</b>	<b>58,909</b>	<b>44,076</b>	<b>30,390</b>	<b>18,430</b>
<b>CAPITAL CONTRIBUTIONS</b>					
State capital grants	2,444	2,502	7,462	14,389	16,519
Other capital contributions	374	2,124	1,136	-	3,000
<b>CHANGE IN NET POSITION</b>	<b>\$ 84,076</b>	<b>\$ 63,535</b>	<b>\$ 52,674</b>	<b>\$ 44,779</b>	<b>\$ 37,949</b>
<b>NET POSITION</b>					
Net investment in capital assets	\$ 494,779	\$ 512,398	\$ 428,670	\$ 410,287	\$ 385,597
Restricted for debt service	28,553	27,799	22,701	23,798	22,070
Restricted for debt service reserve fund	-	-	-	-	44,118
Unrestricted	258,373	157,432	202,907	167,519	105,040
<b>TOTAL NET POSITION</b>	<b>\$ 781,705</b>	<b>\$ 697,629</b>	<b>\$ 654,278</b>	<b>\$ 601,604</b>	<b>\$ 556,825</b>
Net Revenues Available for Debt Service (GAAP)	162447	133177	117274	100228	83545
Add Back: Operating Expenses on Improvements Not Owned by HRSD *	0	311	138	3287	0
<b>Net Revenues Available for Debt Service (Adjusted)</b>	<b>\$ 162,447</b>	<b>\$ 133,488</b>	<b>\$ 117,412</b>	<b>\$ 103,515</b>	<b>\$ 83,545</b>
<b>DEBT SERVICE</b>					
Senior debt	\$ 33,592	\$ 36,488	\$ 35,837	\$ 38,198	\$ 43,842
Subordinate debt	28,313	20,633	23,603	17,068	13,091
<b>Total Debt Service</b>	<b>\$ 61,905</b>	<b>\$ 57,121</b>	<b>\$ 59,440</b>	<b>\$ 55,266</b>	<b>\$ 56,933</b>
<b>Debt Service Coverage</b>					
Senior Debt Service Coverage (GAAP)	4.84	3.59	3.10	2.56	1.90
Total Debt Service Coverage (GAAP)	2.62	2.03	1.93	1.77	1.46
Total Debt Service Coverage (Adjusted Cash Basis)	2.62	2.30	2.00	1.85	-

**Notes:**

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

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

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

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

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

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

## Notes:

\* Includes Capital Improvement Program items expensed

\*\* Includes bad debt expense

Unaudited – See accompanying independent auditors' report

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

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

**Notes:**

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

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

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

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

**Notes:**

Rates can be adjusted by the Commission.

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

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

Source: HRSD's Yearly Rate Schedule Publications

Unaudited – See accompanying independent auditors' report



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

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

## Notes:

One charge per connection.

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

Source: HRSD's Yearly Rate Schedule Publications

Unaudited – See accompanying independent auditors' report

FOR THE FISCAL YEARS ENDED JUNE 30, 2024 AND 2023

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

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

Unaudited – See accompanying independent auditors' report

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

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

Unaudited – See accompanying independent auditors' report

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

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

Unaudited – See accompanying independent auditors' report

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

(in thousands)

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

Unaudited – See accompanying independent auditors' report

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

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

Sources:

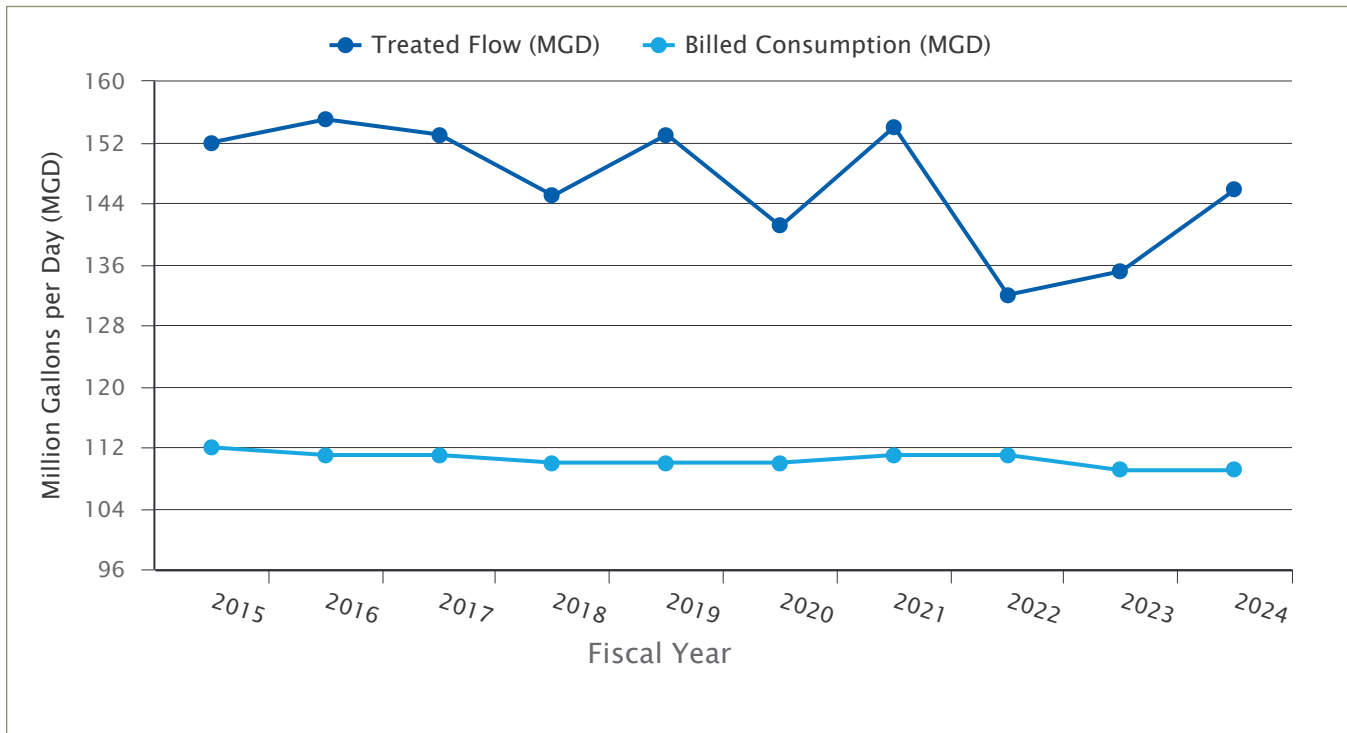
Hampton Roads Economic Development Alliance

Hampton Roads PDC

Hampton Roads Business



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



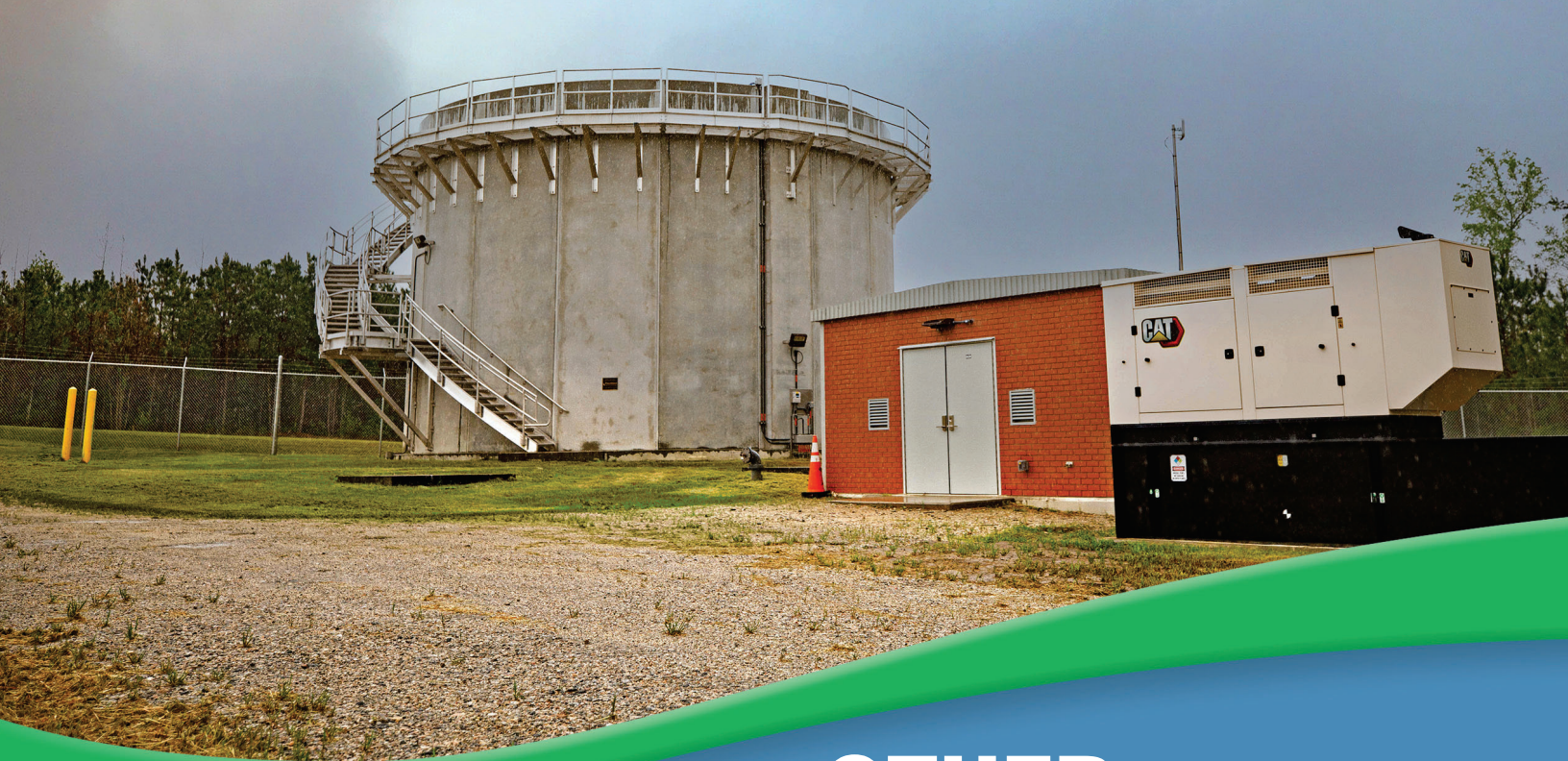
Year ended June 30,	Treated Flow (MGD)	Billed Consumption (MGD)
2015	152	112
2016	155	111
2017	153	111
2018	145	110
2019	153	110
2020	141	110
2021	154	111
2022	132	111
2023	135	109
2024	146	109

Unaudited – See accompanying independent auditors' report

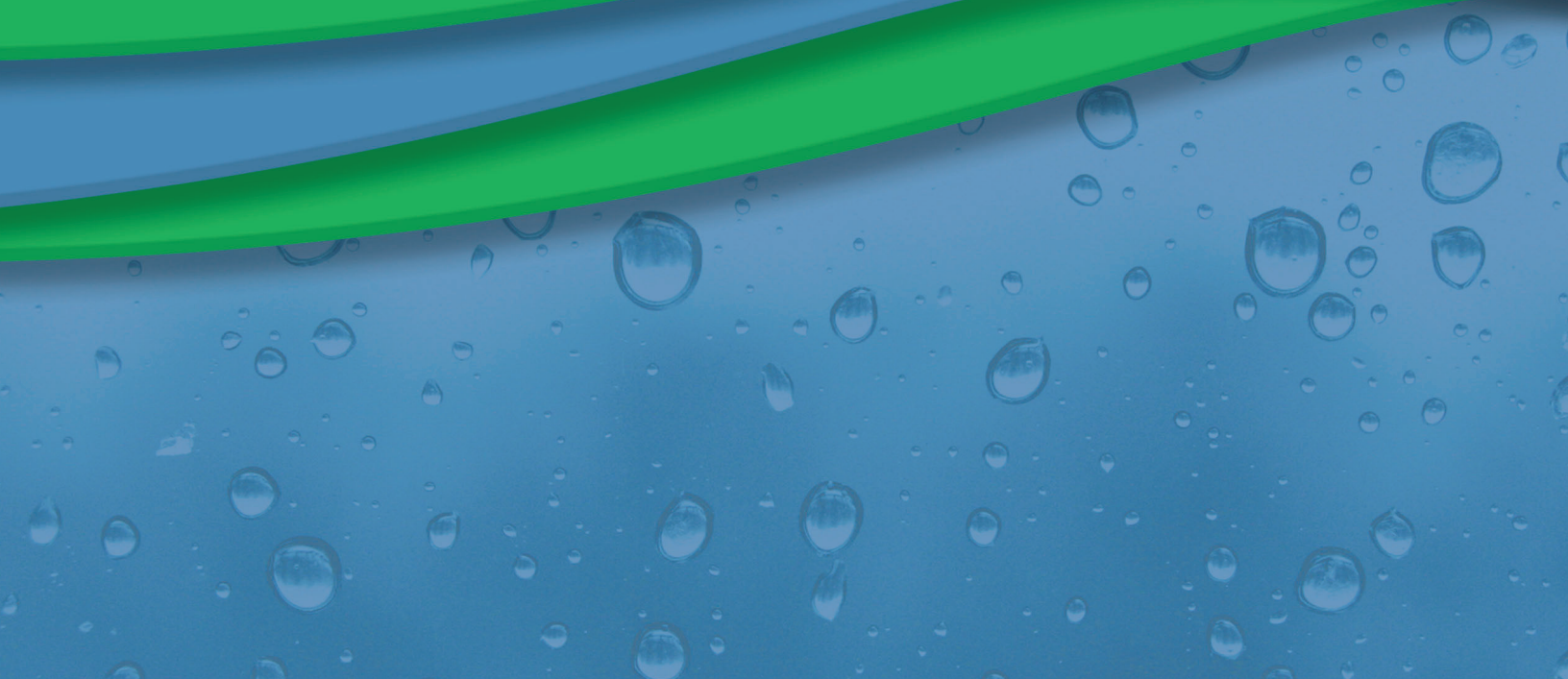
**NUMBER OF EMPLOYEES BY IDENTIFIABLE ACTIVITY  
LAST TEN FISCAL YEARS**

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

Unaudited – See accompanying independent auditors' report



**OTHER  
SUPPLEMENTAL  
SECTION  
(UNAUDITED)**





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# INDEX TO OTHER SUPPLEMENTAL SECTION

ANNUAL COMPREHENSIVE FINANCIAL REPORT / HAMPTON ROADS SANITATION DISTRICT

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

## Contents

Page

### Debt Service

96

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

### Budgetary Information

97

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

Unaudited – See accompanying independent auditors' report

**SUMMARY OF PRIMARY BONDED DEBT SERVICE**
**June 30, 2024**

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

Unaudited – See accompanying independent auditors' report



# BUDGETARY COMPARISON SCHEDULE

## June 30, 2024

(in thousands)

(in thousands)

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

Unaudited – See accompanying independent auditors' report

## NOTES TO BUDGETARY COMPARISON SCHEDULE JUNE 30, 2024

### BUDGETARY HIGHLIGHTS

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

### NOTE 1 – BUDGETARY ACCOUNTING AND CONTROL Budget Preparation

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

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

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

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

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

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

### Budget Accounting

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

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

(in thousands)

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

Unaudited – See accompanying independent auditors' report

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

(in thousands)

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

Unaudited – See accompanying independent auditors' report

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

(in thousands)

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

Unaudited – See accompanying independent auditors' report

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

(in thousands)

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

(Continued)

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

(in thousands)

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

Unaudited – See accompanying independent auditors' report





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