NEW ISSUE – BOOK-ENTRY ONLY

Moody's "Aa1"
S&P: "AA+"
(See "RATINGS" herein)

In the opinion of Bond Counsel, under current law and assuming compliance with certain tax covenants and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), as described herein, interest on the Series 2024B Bonds will not be includable in the gross income of the owners thereof for federal income tax purposes. The District's Enabling Act provides that the Series 2024B Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, shall be free and exempt from taxation by the Commonwealth of Virginia and by any political subdivision thereof. See "TAX MATTERS" herein for further information.

$240,775,000
Hampton Roads Sanitation District, Virginia
Wastewater Revenue Bonds,
Series 2024B

Dated: Date of Issue **Due: As shown on the inside cover**

The above-captioned bonds (the "Series 2024B Bonds") are being issued under a Trust Agreement, dated as of October 1, 2011, as amended and restated as of March 1, 2016, as amended, and as further amended and restated as of July 1, 2024, as supplemented (the "Trust Agreement"), between the Hampton Roads Sanitation District (the "District") and The Bank of New York Mellon Trust Company, N.A., as trustee (in such capacity, the "Trustee"). The proceeds of the Series 2024B Bonds will be used, together with other available funds of the District, (i) to finance a portion of the cost of the District's Capital Improvement Program (as defined herein), and (ii) to pay certain expenses incurred in connection with the issuance of the Series 2024B Bonds by the District. See "PLAN OF FINANCING" and "SOURCES AND USES OF FUNDS" herein.

The Series 2024B Bonds are issuable as registered bonds without coupons and will be initially registered only in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), serving as securities depository for the Series 2024B Bonds. The Series 2024B Bonds will be available to purchasers in denominations of $5,000 principal amount and any whole multiple thereof only under the book-entry system maintained by DTC through brokers and dealers that are, or that act through, DTC Participants. Principal, premium, if any, and interest will be paid by the Trustee, as bond registrar, to DTC or its nominee, which will remit the payments to the DTC Participants for subsequent disbursement. See "THE SERIES 2024B BONDS – Book-Entry Only System" herein. Interest on the Series 2024B Bonds is payable on each January 1 and July 1, commencing January 1, 2025.

The Series 2024B Bonds are subject to optional redemption and mandatory sinking fund redemption prior to maturity as described herein. "THE SERIES 2024B BONDS – Redemption Provisions" herein.

THE SERIES 2024B BONDS ARE SPECIAL OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM THE NET REVENUES AND OTHER FUNDS PLEDGED TO SECURE THE SERIES 2024B BONDS UNDER THE TRUST AGREEMENT. THE SERIES 2024B BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT, OR A PLEDGE OF THE FAITH AND CREDIT, OF THE COMMONWEALTH OF VIRGINIA OR OF ANY COUNTY, CITY, TOWN OR POLITICAL SUBDIVISION THEREOF. THE ISSUANCE OF THE SERIES 2024B BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE COMMONWEALTH OF VIRGINIA OR ANY COUNTY, CITY, TOWN OR POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR.

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

The Series 2024B Bonds are offered when, as and if issued, subject to the approving opinion of Norton Rose Fulbright US LLP, Washington, D.C., Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the District by its General Counsel, Sands Anderson PC, Richmond, Virginia, and for the Underwriters by Kaufman & Canoles, a Professional Corporation, Richmond, Virginia. The Series 2024B Bonds are expected to be available for delivery to The Depository Trust Company in New York, New York, on or about August 8, 2024.

BofA Securities

Wells Fargo Securities Stifel

July 23, 2024

$240,775,000
Hampton Roads Sanitation District, Virginia
Wastewater Revenue Bonds,
Series 2024B

MATURITIES, AMOUNTS, INTEREST RATES AND PRICE OR YIELD
Base CUSIP Number: 409327†

Due July 1	Principal Amount	Interest Rate	Priced to Yield	CUSIP† Suffix
2039	$10,870,000	5.00%	3.18%(1)	MK6
2040	18,660,000	5.00	3.27(1)	ML4
2041	22,035,000	5.00	3.37(1)	MM2
2042	25,260,000	5.00	3.44(1)	MN0
2043	29,325,000	5.00	3.51(1)	MP5
2044	27,520,000	5.00	3.58(1)	MQ3
2045	33,575,000	5.00	3.64(1)	MR1
2046	18,850,000	5.00	3.69(1)	MS9
2049	21,550,000	5.00	3.80(1)	MT7

$33,130,000 5.00% Term Bonds due July 1, 2054 – Priced to Yield 3.90%(1) – CUSIP Suffix MU4†

(1) Priced at the stated yield to the July 1, 2034, optional redemption date.

† CUSIP® is a registered trademark of the American Bankers Association. The CUSIP numbers listed above are provided solely for the convenience of bondholders only, and the District does not make any representation with respect to such numbers or undertake any responsibility for their accuracy. The CUSIP numbers are subject to change after the issuance of the Series 2024B Bonds as a result of various subsequent actions including, but not limited to, a defeasance as a whole or in part of the Series 2024B Bonds.

HAMPTON ROADS SANITATION DISTRICT

COMMISSIONERS

STEPHEN C. RODRIGUEZ, *Chair*

WILLIE LEVENSTON, JR. *Vice Chair*

FREDERICK N. ELOFSON, CPA
VISHNU K. LAKDAWALA, Ph.D.
ELIZABETH A. TARASKI, Ph.D.

MICHAEL E. GLENN
NANCY J. STERN
ANN W. TEMPLEMAN

STAFF

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

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

EDDIE M. ABISAAB
Chief Operating Officer

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

DONALD C. CORRADO
Chief Information Officer

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

JAMIE HEISIG-MITCHELL
Chief of Water Quality

DORISSA T. PITTS-PAIGE, PHR, IPMA-SCP, SHRM-SCP
Chief People Officer

LEILA E. RICE, APR
Chief Communications Officer

JENNIFER L. CASCIO
Commission Secretary

ELIZABETH I. SCOTT
Assistant Commission Secretary

COUNSEL, ADVISOR, TRUSTEE

SANDS ANDERSON PC
General Counsel

PFM FINANCIAL ADVISORS LLC
Financial Advisor

NORTON ROSE FULBRIGHT US LLP
Bond Counsel

AQUALAW, PLC
Special Counsel

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

HRSD Service Area

Facilities include the following:

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

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

*Excluding the Town of Claremont

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

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

The Series 2024B Bonds are exempt from registration under the Securities Act of 1933, as amended. As obligations of a political subdivision of the Commonwealth of Virginia, the Series 2024B Bonds are also exempt from registration under the securities laws of Virginia.

No dealer, salesman or any other person has been authorized to give any information or to make any representation, other than the information and representations contained herein, in connection with the offering of the Series 2024B Bonds, and, if given or made, such information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Series 2024B Bonds in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction.

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

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

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TABLE OF CONTENTS

Official Statement

Hampton Roads Sanitation District, Virginia

Relating to its
$240,775,000
Wastewater Revenue Bonds,
Series 2024B

INTRODUCTION

This Official Statement, which includes the cover and inside cover pages hereof, the map and the appendices hereto, sets forth information concerning the Hampton Roads Sanitation District (the "District" or "HRSD") and the District's $240,775,000 aggregate principal amount of Wastewater Revenue Bonds, Series 2024B (the "Series 2024B Bonds").

The Series 2024B Bonds are being issued in accordance with the provisions of Chapter 66 of the Acts of Assembly of Virginia of 1960, as amended (the "Enabling Act"). On June 25, 2024, the Hampton Roads Sanitation District Commission (the "Commission"), the governing body of the District, authorized by resolution the issuance of the Series 2024B Bonds. The Commission is issuing the Series 2024B Bonds for the purpose of providing funds, together with other available funds, (i) to finance a portion of the costs of the District's Capital Improvement Program (as amended from time to time, the "Capital Improvement Program" or "CIP") and (ii) to pay certain expenses incurred in connection with the issuance of the Series 2024B Bonds by the District. See "PLAN OF FINANCING" and "SOURCES AND USES OF FUNDS" herein.

The Series 2024B Bonds are special obligations of the District payable solely from the Net Revenues (hereinafter defined) derived by the District from the operation of its Wastewater System (hereinafter defined) and other funds pledged to secure the Series 2024B Bonds under the Trust Agreement (hereinafter defined). See "SECURITY AND SOURCES OF PAYMENT" and "THE SYSTEM" herein. The Commission has determined to provide for the issuance of the Series 2024B Bonds under the trust agreement entered into by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee (in such capacity, the "Trustee"), dated as of October 1, 2011, as amended and restated as of March 1, 2016, as amended, as further amended and restated as of July 1, 2024 (the "Amended and Restated Trust Agreement"), as supplemented by the Eleventh Supplemental Trust Agreement, dated as of August 1, 2024 (the "Eleventh Supplemental Trust Agreement" and together with the Amended and Restated Trust Agreement, as so supplemented and as the same may be amended and further supplemented, the "Trust Agreement"), each by and between the District and the Trustee.

This Official Statement contains a brief description of the Series 2024B Bonds and the District, including its service area, governance and information regarding its operations and finances.

The financial and operating data contained herein and in Appendix A are as of the dates and for the periods indicated, portions of which were prior to the COVID-19 pandemic. Such financial and operating data have not been updated to reflect any potential impacts of the COVID-19 pandemic on District's general economic and financial condition. See "THE SYSTEM – COVID-19 Matters."

Appendix A contains the District's Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2023, and includes additional information regarding the District's operations and financial condition. Appendix B contains the definitions of certain terms used in this Official Statement. Capitalized terms used but not defined herein shall have the meanings given to such terms in the Trust Agreement. Brief descriptions and summaries of certain provisions of the Series 2024B Bonds, the Trust Agreement and the Eleventh Supplemental Trust Agreement are included in Appendix C.

PLAN OF FINANCING

Series 2024B Bonds

A portion of the proceeds of the Series 2024B Bonds will be applied to finance or refinance a portion of the costs of the Capital Improvement Program. See “THE SYSTEM – Capital Improvement Program.”

As described under “THE SYSTEM – System Improvements and Innovation,” the District has developed an innovative managed aquifer recharge program called the Sustainable Water Initiative for Tomorrow (“SWIFT”). The District anticipates that a significant portion of the proceeds of the Series 2024B Bonds will be used to fund a portion of the SWIFT construction at the District’s Boat Harbor and Nansemond Treatment Plants. The District believes that SWIFT has multiple environmental benefits, including addressing the challenges of declining aquifer levels, land subsidence and saltwater intrusion, and providing regional nutrient credits for urban stormwater and other needs.

Future Financings

The District anticipates that it will finance a portion of its Capital Improvement Program through the issuance of Additional Bonds, WIFIA Bonds, VRA Obligations (each as hereinafter defined), and other Indebtedness (as hereinafter defined). See “SECURITY AND SOURCES OF PAYMENT – Senior Obligations” and “ – Additional Senior Obligations.” Any acceleration of the Capital Improvement Program could result in an acceleration of the timing and, potentially, an increase in the size of any issuance of Indebtedness by the District.

The District anticipates that it will issue, in the fall of 2024, an additional WIFIA Bond in the approximate principal amount of $268 million. For additional information relating to WIFIA Bonds, see “SECURITY AND SOURCES OF PAYMENT – Senior Obligations – *WIFIA Bonds*.”

The District has entered into a Second Amended and Restated Credit Agreement, dated as of June 30, 2022, with Bank of America, N.A., as further amended and supplemented (as so amended and supplemented, the “Credit Agreement”), pursuant to which the bank provided a revolving line of credit in the aggregate principal amount of up to $300,000,000 (the “Line of Credit”). The Line of Credit constitutes a Subordinate Obligation (as hereinafter defined) under the Trust Agreement and is secured on a junior and subordinate basis from the lien on Net Revenues securing Senior Obligations (as hereinafter defined). As of July 23, 2024, the aggregate outstanding principal amount on the Line of Credit is $99,999,700.

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SOURCES AND USES OF FUNDS

The estimated sources and uses of funds in connection with the issuance of the Series 2024B Bonds are set out in the table below.

Sources

Principal Amount of Series 2024B Bonds	$240,775,000.00
Plus Original Issue Premium	28,395,996.85
Total Sources of Funds	$269,170,996.85

Uses

Deposit to Construction Fund	$268,087,870.00
Underwriters' Discount	479,905.03
Costs of Issuance	603,221.82
Total Uses of Funds	$269,170,996.85

THE SERIES 2024B BONDS

Description

The Series 2024B Bonds will be dated, bear interest and mature as set forth on the cover and inside cover page of this Official Statement. Interest on the Series 2024B Bonds will be calculated on the basis of a 360-day year of twelve 30-day months. The Series 2024B Bonds are issuable as registered bonds without coupons in the denomination of $5,000 or any whole multiple thereof, as provided in the Trust Agreement. Interest will be payable on each January 1 and July 1, commencing January 1, 2025, to the person in whose name such bond is registered as of the applicable Regular Record Date, which is December 15 for interest due on January 1 and June 15 for interest due on July 1.

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2024B Bonds. The Series 2024B Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Series 2024B Bonds and will be deposited with DTC. Additional information respecting DTC and its book entry system is contained in Appendix F.

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

DTC may discontinue providing its services as depository with respect to the Series 2024B Bonds at any time by giving reasonable notice to the District. Under such circumstances, if a successor depository is not obtained, certificates for the Series 2024B Bonds are required to be printed and delivered to the beneficial owners of the Series 2024B Bonds.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates for the Series 2024B Bonds will be printed and delivered to the beneficial owners of the Series 2024B Bonds.

Redemption Provisions

Optional Redemption.

The District may, at its option, redeem the Series 2024B Bonds prior to their respective maturities, as a whole or in part, on any date, beginning July 1, 2034, at a redemption price equal to the principal amount thereof, together with interest accrued to the date fixed for redemption.

Selection of Series 2024B Bonds for Redemption.

Series 2024B Bonds may be redeemed only in increments of $5,000 or whole multiples thereof. If less than all the Series 2024B Bonds are called for redemption, the Series 2024B Bonds or portions thereof will be redeemed from the maturities selected by the District. If less than all of the Series 2024B Bonds of a maturity are to be redeemed, the particular Series 2024B Bonds of such maturity are to be selected for redemption as the Trustee in its sole discretion shall determine. If a portion of a Series 2024B Bond is called for redemption, a new Series 2024B Bond in a principal amount equal to the unredeemed portion thereof will be issued to the bondholder upon the surrender thereof.

Mandatory Redemption.

The Series 2024B Bonds due on July 1, 2054 are subject to mandatory sinking fund redemption on July 1 in the following years in the following principal amounts ("Sinking Fund Requirements") at a redemption price equal to the principal amount thereof, together with interest accrued to the date of redemption.

Term Bonds due July 1, 2054

Year	Sinking Fund Requirement
2051	$14,390,000
2052	8,390,000
2053	4,635,000
2054	5,715,000†

† Unamortized balance at maturity.

In the event of a partial optional redemption or purchase of such term bonds, the District will credit the principal amount of such term bonds so purchased or redeemed against the Sinking Fund Requirements for the remaining term bonds outstanding in such amounts and in such years as it in its sole discretion shall determine.

Notice of Redemption

Notice of redemption is to be given not more than 60 nor less than 30 days before the redemption date by first class mail to the registered owner or owners of the Series 2024B Bonds or portions thereof to be redeemed; provided, however, that any defect in such notice or the failure so to mail any such notice to any owners of any Series 2024B Bonds will not affect the validity of the proceedings for the redemption of any other Series 2024B Bonds. **During the period that DTC or its nominee is the registered holder of the Series 2024B Bonds, the Bond Registrar will not be responsible for mailing notices of redemption to the beneficial owners of the Series 2024B Bonds. See " – Book-Entry Only System" above and Appendix F.** Each such notice will set forth the Series 2024B Bonds or portions thereof to be redeemed, the date fixed for redemption, the redemption price to be paid, and if less than all the Series 2024B Bonds will be called for redemption, the maturities of the Series 2024B Bonds to be redeemed and shall otherwise comply with Securities Exchange Act of 1934 Release No. 34-23856, dated December 3, 1986, including the requirement that notice be given to all organizations registered with the Securities and Exchange Commission as securities depositories, and to one or more information services of national recognition that disseminate redemption information with respect to tax-exempt securities. If any Series 2024B Bond is to be redeemed in part only, the notice of redemption will state also that on or after the redemption date, upon surrender of such Series 2024B Bond, a new Series 2024B Bond in an authorized denomination and in principal amount equal to the unredeemed portion of such Series 2024B Bond will be issued.

Any notice of optional redemption of the Series 2024B Bonds may state that it is conditioned upon there being available an amount of money sufficient to pay the redemption price, consisting of par plus interest accrued and unpaid to the redemption date, and any conditional notice so given may be rescinded at any time before the payment of the redemption price if any such condition so specified is not satisfied. If a redemption does not occur after a conditional notice is given due to an insufficient amount of funds on deposit with the Trustee, the corresponding notice of redemption will be deemed to be revoked.

If the District gives an unconditional notice of redemption, then on the redemption date the Series 2024B Bonds called for redemption will become due and payable. If the District gives a conditional notice of redemption and money to pay the redemption price of the affected Series 2024B Bonds has been set aside in escrow with the Trustee for the purpose of paying such Series 2024B Bonds, then on the redemption date such Series 2024B Bonds will become due and payable. In either case, if on the redemption date the Trustee holds money to pay the Series 2024B Bonds called for redemption, thereafter no interest will accrue on those Series 2024B Bonds, and a Bondholder's right will be to receive payment of the redemption price upon surrender of those Series 2024B Bonds.

SECURITY AND SOURCES OF PAYMENT

THE SERIES 2024B BONDS ARE SPECIAL OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM THE NET REVENUES AND OTHER FUNDS PLEDGED TO SECURE THE SERIES 2024B BONDS UNDER THE TRUST AGREEMENT. THE SERIES 2024B BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT, OR A PLEDGE OF THE FAITH AND CREDIT, OF THE COMMONWEALTH OF VIRGINIA OR OF ANY COUNTY, CITY, TOWN OR POLITICAL SUBDIVISION THEREOF. THE ISSUANCE OF THE SERIES 2024B BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE COMMONWEALTH OF VIRGINIA OR ANY COUNTY, CITY, TOWN OR POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR.

General

Principal of and interest on the Series 2024B Bonds will be payable from "Net Revenues" of the District pledged to the payment thereof and money held in certain funds and accounts under the Trust Agreement.

"Net Revenues" means all revenues received by the District from its Wastewater System less Operating Expenses, provided, that Net Revenues does not include any Transition Charge (as defined in the Trust Agreement).

The realization of amounts to be derived upon the enforcement of the Series 2024B Bonds will depend upon the exercise of various remedies specified in the Trust Agreement. These and other remedies may, in many respects, require judicial action of a nature that is often subject to discretion and delay. Under existing laws, the remedies specified in the Trust Agreement may not be readily available or may be limited. A court may decide not to order the specific performance of the covenants contained in the Trust Agreement. The various legal opinions to be delivered concurrently with the delivery of the Series 2024B

Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by state and federal laws, rulings and decisions affecting remedies and by bankruptcy, fraudulent conveyance, moratorium, reorganization and other laws affecting the enforcement of creditors' rights generally.

Under the Trust Agreement, the District is subject to covenants relating to the existence of liens on Property and maintenance of a specified Long-Term Debt Service Coverage Ratio relating to, among other things, incurrence of Indebtedness. See " – Limitation on Creation of Liens" and " – Limitations on Indebtedness" in Appendix C hereto.

Rate Covenant

In the Trust Agreement, the District covenants to set and revise its rates and charges for facilities, services and products such that the Net Revenues, calculated at the end of each Fiscal Year, will equal at least 120% of the sum of the Principal and Interest Requirements (as defined in the Trust Agreement) on Senior Obligations (the "Rate Covenant"). If, for any reason, the Net Revenues are insufficient to satisfy the foregoing covenant, the District shall within one hundred and twenty (120) days adjust and increase its rates, fees and other charges (to the extent permitted by the Enabling Act) or reduce its current expenses so as to provide sufficient Net Revenues to satisfy the Rate Covenant.

On or before the last day of each Fiscal Year, the District will review the adequacy of its rates, fees and other charges for the next Fiscal Year, and, if such review indicates the District's rates, fees and other charges are insufficient to satisfy the Rate Covenant, the District will promptly take appropriate action to increase its rates, fees and other charges or reduce its current expenses to cure any deficiency. See " – Rate Covenant" in Appendix C hereto.

Senior Obligations

Publicly Held Bonds. As of July 23, 2024, the District has outstanding six series of publicly held Bonds constituting Senior Obligations under the Trust Agreement, including its Wastewater Revenue Bonds, Series 2016A (the "Series 2016A Bonds"), of which $80,445,000 principal amount is outstanding, its variable rate Wastewater Revenue Bonds, Series 2016B (the "Series 2016B Bonds," and together with the Series 2016A Bonds, the "Series 2016 Bonds"), of which $50,000,000 principal amount is outstanding, its Wastewater Revenue Bonds, Refunding Series 2017A (the "Series 2017 Bonds"), of which $72,055,000 principal amount is outstanding, its Wastewater Revenue Bonds, Series 2018A (the "Series 2018 Bonds"), of which $16,010,000 principal amount is outstanding, its Wastewater Revenue Bonds, Refunding Series 2019A (Federally Taxable) (the "Series 2019 Bonds"), of which $192,855,000 principal amount is outstanding, and its Wastewater Revenue Bonds, Refunding Series 2024A (the "Series 2024A Bonds"), of which $115,585,000 principal amount is outstanding.

WIFIA Bonds. The District issued its Wastewater Revenue Bond, Series 2020 (Federally Taxable) (the "2020 WIFIA Bond"), and its Wastewater Revenue Bond, Series 2021 (Federally Taxable) (the "2021 WIFIA Bond"), to the United States Environmental Protection Agency (the "WIFIA Lender") pursuant to the terms of the WIFIA Master Agreement, dated as of September 28, 2020 (the "WIFIA Master Agreement"), and the separate WIFIA Loan Agreements with respect to each such Bond (the "WIFIA Loan Agreements"), each by and between the WIFIA Lender and the District. Proceeds of the 2020 WIFIA Bond will be used to finance the District's SWIFT – Tranche 1 Project, and proceeds of the 2021 WIFIA Bond will be used to finance the District's SWIFT – Tranche 2 Project.

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

The 2020 WIFIA Bond is in the principal amount of up to $225,865,648, bearing interest on the amount drawn under the related WIFIA Loan Agreement. The final maturity date of the 2020 WIFIA Bond is the earlier of (a) April 1, 2060, and (b) the principal payment date thereon immediately preceding the date that is 35 years following the Substantial Completion Date, as defined in the WIFIA Master Agreement. The 2021 WIFIA Bond is in the principal amount of up to $476,581,587, plus interest that may be capitalized in accordance with the related WIFIA Loan Agreement and added to the principal amount of the 2021 WIFIA Bond, subject to a maximum accreted amount of $528,581,587. The final maturity date of the 2021 WIFIA Bond is the earlier of (a) June 1, 2060, and (b) the principal payment date thereon immediately preceding the date that is 35 years following the Substantial Completion Date, as defined in the WIFIA Master Agreement. As of July 23, 2024, (i) the outstanding principal amount of the 2020 WIFIA Bond was $207,468,527, with an undrawn principal amount of $18,397,121, and (ii) the outstanding principal amount of the 2021 WIFIA Bond was $222,058,908, with an undrawn principal amount of $306,522,679, including potentially capitalizable interest.

The District anticipates that it will issue, in the fall of 2024, an additional WIFIA Bond in the approximate principal amount of $268 million.

VRA Revolving Loan Fund Indebtedness. Since 1993 the District has borrowed over $453 million from the Virginia Clean Water Revolving Loan Fund administered by the Virginia Resources Authority and issued, in evidence of its obligations to repay such loans, 25 issues of bonds that are outstanding Senior Indebtedness and recognized as such under the Trust Agreement (the "VRA Obligations" and collectively, with the Series 2016 Bonds, the Series 2017 Bonds, the Series 2018 Bonds, the Series 2019 Bonds, the Series 2024A Bonds, the Series 2024B Bonds, when, as and if issued, the WIFIA Bonds, and other Bonds or additional VRA Obligations issued from time to time under the provisions of the Trust Agreement, the "Senior Obligations"). As of July 23, 2024, the outstanding drawn amount of the VRA Obligations was $367 million, with an undrawn authorized amount of $81 million.

Generally, after an initial period where no interest accrues on such VRA Obligations, interest accrues on the disbursed principal of the outstanding VRA Obligations at interest rates ranging from 1.0% to 2.85% per annum, and principal and interest are payable in installments over the terms of the VRA Obligations. The VRA Obligations have been issued for various improvements and upgrades at several of the District's treatment plants. See the table "DEBT SERVICE REQUIREMENTS FOR SENIOR OBLIGATIONS" and " – Limitation on Creation of Liens" in Appendix C. The Series 2024B Bonds are on parity under the Trust Agreement with the Outstanding VRA Obligations as to their lien on the Net Revenues of the District.

Additional Senior Obligations

Under the Trust Agreement, the District may issue Additional Senior Obligations, including Additional Bonds and VRA Obligations, for the District's Capital Improvement Program or to refund outstanding Senior Obligations subject to the District's demonstrating its compliance with the conditions for the incurrence thereof under the Trust Agreement or qualifying for an exception thereto. The District anticipates that it will finance a portion of its Capital Improvement Program with future issues of Additional Senior Obligations. See " – Limitations on Indebtedness" in Appendix C.

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DEBT SERVICE REQUIREMENTS FOR SENIOR OBLIGATIONS

Fiscal Year Ending June 30	Series 2024B Bonds Principal	Series 2024B Bonds Interest	Total Series 2024B Bond Debt Service	Outstanding Senior Obligations Debt Service[1,2]	Total Senior Obligations Debt Service[3]
2025		$4,782,059	$4,782,059	$77,320,982	$82,103,041
2026		12,038,750	12,038,750	80,108,903	92,147,653
2027		12,038,750	12,038,750	82,452,220	94,490,970
2028		12,038,750	12,038,750	79,098,936	91,137,686
2029		12,038,750	12,038,750	88,768,796	100,807,546
2030		12,038,750	12,038,750	88,587,779	100,626,529
2031		12,038,750	12,038,750	89,127,079	101,165,829
2032		12,038,750	12,038,750	84,350,636	96,389,386
2033		12,038,750	12,038,750	82,509,368	94,548,118
2034		12,038,750	12,038,750	81,549,870	93,588,620
2035		12,038,750	12,038,750	81,108,894	93,147,644
2036		12,038,750	12,038,750	78,191,510	90,230,260
2037		12,038,750	12,038,750	78,239,372	90,278,122
2038		12,038,750	12,038,750	77,989,966	90,028,716
2039		12,038,750	12,038,750	63,196,189	75,234,939
2040	$10,870,000	11,767,000	22,637,000	55,391,948	78,028,948
2041	18,660,000	11,028,750	29,688,750	48,339,473	78,028,223
2042	22,035,000	10,011,375	32,046,375	45,983,255	78,029,630
2043	25,260,000	8,829,000	34,089,000	43,939,448	78,028,448
2044	29,325,000	7,464,375	36,789,375	41,241,252	78,030,627
2045	27,520,000	6,043,250	33,563,250	44,464,485	78,027,735
2046	33,575,000	4,515,875	38,090,875	39,934,801	78,025,676
2047	18,850,000	3,205,250	22,055,250	39,659,159	61,714,409
2048	-	2,734,000	2,734,000	39,394,882	42,128,882
2049	-	2,734,000	2,734,000	39,566,568	42,300,568
2050	21,550,000	2,195,250	23,745,250	45,698,340	69,443,590
2051	-	1,656,500	1,656,500	55,634,839	57,291,339
2052	14,390,000	1,296,750	15,686,750	59,711,745	75,398,495
2053	8,390,000	727,250	9,117,250	63,850,128	72,967,378
2054	4,635,000	401,625	5,036,625	70,670,155	75,706,780
2055	5,715,000	142,875	5,857,875	68,176,900	74,034,775
2056	-	-	-	67,069,639	67,069,639
2057	-	-	-	65,064,844	65,064,844
2058	-	-	-	62,902,299	62,902,299
2059	-	-	-	60,345,207	60,345,207
2060	-	-	-	39,800,925	39,800,925
TOTAL[3]	$240,775,000	$248,077,684	$488,852,684	$2,309,440,791	$2,798,293,475

(1) Total Principal and Interest payments on the District's Senior Obligations as of July 23, 2024, not including debt service on the Series 2024B Bonds. Assumes the District makes the maximum allowable draws on the WIFIA Bonds and the VRA Obligations, including the portions of such loans that are undrawn as of the date of this Official Statement, but does not include debt service on an additional WIFIA Bond in the approximate principal amount of $268 million that the District anticipates issuing in fall 2024. See " – Senior Obligations – *WIFIA Bonds*" and " – *VRA Revolving Loan Fund Indebtedness*" above.

(2) The Series 2016B Bonds, which constitute Variable Rate Indebtedness, are assumed to bear interest at the rate of 3.84% per annum, which is 120% of the average rate on the Series 2016B Bonds during the first quarter of 2024. No assurance can be given, however, that the rates on the Series 2016B Bonds will not be higher than assumed above.

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

HAMPTON ROADS SANITATION DISTRICT

Authorization and Purpose

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

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

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

History

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

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

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

The Commission

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

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

The Commission is empowered, among other things, to (1) construct and improve, extend, enlarge, reconstruct, maintain, equip, repair and operate a wastewater system or systems, either within or without or partly within and partly without the corporate limits of the District, and to construct wastewater improvements within the corporate limits of the District, (2) issue the District's bonds, payable solely from revenues, to pay all or part of the cost of a wastewater system, (3) fix, revise, charge and collect rates, fees and charges for the use of and for the services of any system operated by the District, (4) enter into contracts with any unit, including counties, cities and other authorities, relating to the furnishing of services of the District, and (5) acquire real or personal property necessary in connection with wastewater systems or wastewater improvements.

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

Commissioners	**Residence**	**Occupation**	**Term Expires June 7,**
Stephen C. Rodriguez, *Chair*	Chesapeake	Inspector, VDOT Construction Division	2028
Willie Levenston, Jr., *Vice Chair*	Portsmouth	Retired Supervisor Electronics Engineer, Norfolk Naval Shipyard	2027
Frederick N. Elofson, CPA,	Newport News	Retired Certified Public Accountant and Personal Financial Specialist, Dixon Hughes Goodman LLP	2026
Michael E. Glenn	Norfolk	President, Luna Development Services, LLC	2027
Vishnu K. Lakdawala, Ph.D.	Virginia Beach	Associate Professor, Electrical and Computer Engineering, Old Dominion University	2026
Nancy J. Stern	Belle Haven	Retired Chief Executive Officer, Eastern Shore Rural Health System	2025
Elizabeth A. Taraski, Ph.D.	Suffolk	Retired President/CEO, Nansemond River Preservation Alliance	2025
Ann W. Templeman	Hampton	Senior Business Support Analyst, Virginia Natural Gas	2028

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

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

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

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

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

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

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

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

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

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

Management and Staff

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

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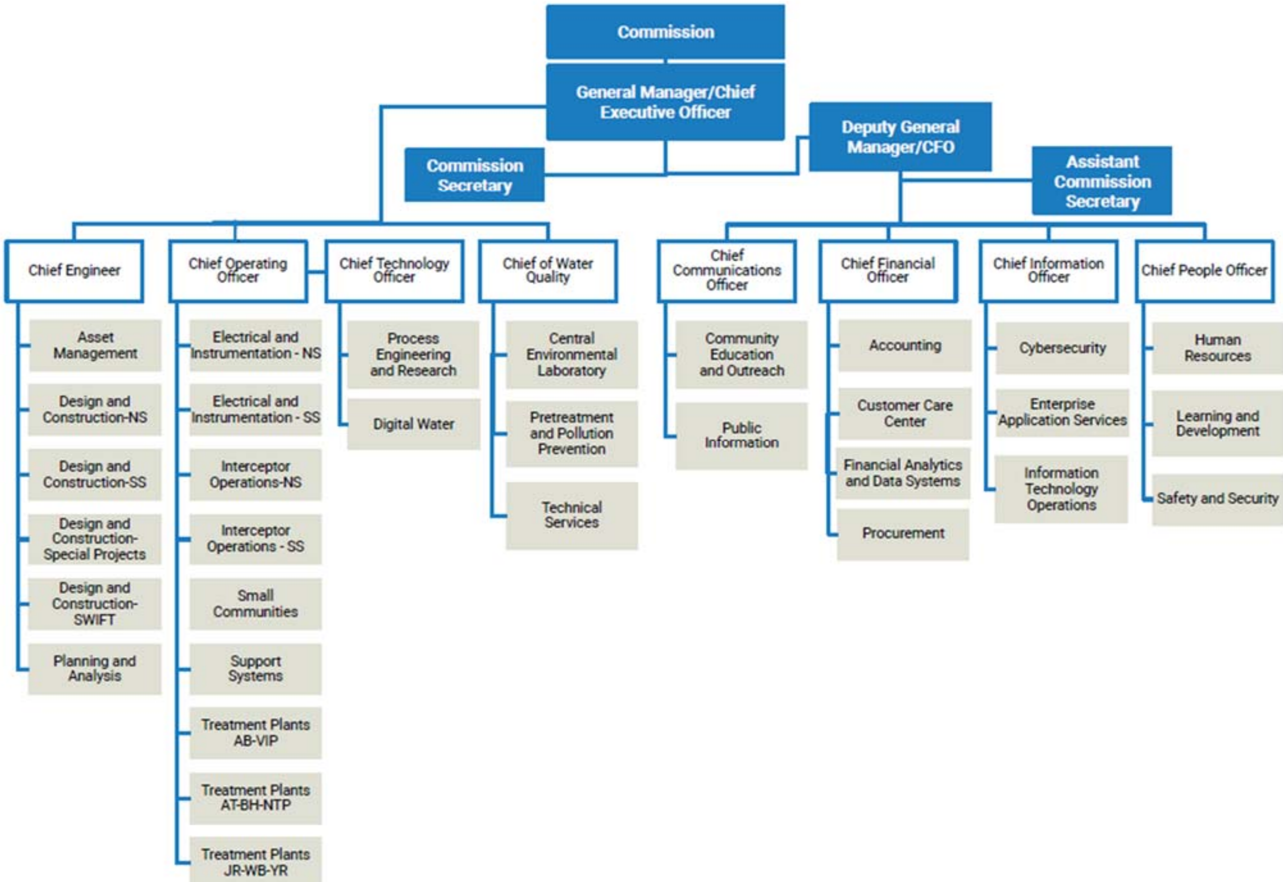
HRSD Organizational Chart



Communication

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

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Engineering

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

Finance

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

Information Technology

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

Operations

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

Talent Management

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

Water Quality

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

The District’s administration is overseen by a General Manager/Chief Executive Officer, supported by eight chiefs and their staffs. For Fiscal Year 2025, the District has budgeted for 948 full-time employees. Current staffing is sufficient to operate all existing facilities. None of its employees is currently represented by a union.

The following individuals are responsible for the daily management and affairs of the District (with titles changed, where appropriate, to conform to the District’s current organizational chart, which became effective on July 1, 2024):

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

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

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

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

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

Eddie Abisaab joined HRSD in 2008 and was named Chief Operating Officer in July 2022. In that role, he leads a staff of over 530 who are responsible for the complex operation and maintenance of HRSD's 18 treatment plants, interceptor collection systems, water technology and research, and electrical and instrumentation infrastructure as well as various support services such as fleet management, infrastructure assessment, carpentry, and a machine shop. In his previous position as the Director of Design and Construction on North Shore, Mr. Abisaab was responsible for the execution of HRSD's Capital Improvement and Operational Infrastructure projects. Prior to joining HRSD, he worked as an engineer and project manager for both the private and public sectors. Mr. Abisaab holds a Bachelor of Science in Civil Engineering from West Virginia University, and a Master of Science in Engineering Management from Marshall University. He is a licensed Professional Engineer (PE), Project Management Professional (PMP), and certified by the Institute for Sustainable Infrastructure (ISI) as an Envision Sustainability Professional (ENV SP). Mr. Abisaab is actively involved with the Water Environment Federation ("WEF") and served for four years on the Board of Directors of the Virginia Water Environment Association (VWEA) and as President in 2016-2017. He is also currently serving as VWEA's Treasurer.

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

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

Donald C. Corrado, *Chief Information Officer*

Prior to his appointment as Chief Information Officer in 2008, Don Corrado served as HRSD's Director of Information Technology for nine years. In that capacity, he was responsible for the creation of HRSD's first information technology division and the design and implementation of a scalable, standards-based wide area network supporting the various enterprise-class applications required to meet HRSD's business and operational technology needs. Mr. Corrado's career includes public and private sector experience as an IT manager, enterprise solutions architect, project manager, information systems security officer, senior systems engineer and contract specialist. He earned a bachelor's degree from Old Dominion University and is a Master Certified NetWare Engineer, Microsoft Certified Systems Engineer and is ITIL and GIAC Certified. He is a member of the Gartner Executive Panel, American Water Works Association (AWWA) and WEF and has completed the Kenan-Flagler Water and Wastewater Leadership Program.

Jamie Heisig-Mitchell, *Chief of Water Quality*

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

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

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

Dorissa T. Pitts-Paige, *Chief People Officer*

Dorissa Pitts-Paige joined HRSD in November of 2006 as a Human Resources Business Partner. She was promoted to Chief People Officer in December 2021. Ms. Pitts-Paige has worked in public sector human resources for over 20 years as a strategic business partner in the areas of organizational development and training, employee relations, recruitment, benefits, and as a champion for diversity, equity, and inclusion. Ms. Pitts-Paige holds a Bachelor's Degree in Broadcast Journalism from Hampton University, a Master's Degree in Human Resources Management from Troy University and a Master of Law degree from Regent University. She is a certified Professional in Human Resources (PHR) by the Human Resources Certification Institute (HRCI), Senior Certified Professional (SCP) by the International Public Management Association for Human Resources (IPMA-HR), and a Senior Certified Professional (SHRM-SCP) by the Society for Human Resources Management (SHRM). She served as the Director of Workforce Development for the Hampton Roads Society for Human Resources Management (HRSHRM) from 2019-2021. She currently serves as the Vice Co-Chair of the Virginia Water Environment Association (VWEA) Diversity, Equity, and Inclusion Council. She is a member of Alpha Kappa Alpha Sorority Incorporated.

Leila E. Rice, APR, Chief Communications Officer

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

Awards

HRSD has received numerous awards for excellence in plant operations and maintenance, environmental engineering and design, public education, and financial reporting. To date, its treatment plants have earned 399 awards for outstanding compliance with National Pollutant Discharge Elimination System ("NPDES") permits since 1986, when the recognition program was established.

Awards and honors received include the 2023 Governor's Environmental Excellence Gold Award for collaboration with DC Water on development of Next Generation Mainstream Nitrogen Removal Technology through Partial Denitrification-Anammox (PdNA); the 2022 WEF Project Excellence Award for the Providence Road Offline Storage Facility Woodstock Park Improvements Project, as well as the Design-Build Institute of America (DBIA) Design-Build Merit Award and Design-Build Award of Excellence in the Water/Wastewater sector for the same project. HRSD also earned the NACWA National Environmental Achievement Awards in the categories of Research and Technology, Public Information and Education and Workforce Development in 2022, and Public Information and Education again in 2023, and the 2023 Grand and Pinnacle awards from the American Council of Engineering Companies (ACEC) of Virginia for the Chesapeake-Elizabeth Interceptor Diversion Improvements Project. The HRSD Finance Department also earned the George F. Ames PISCES award in the Innovative Finance category from the Environmental Protection Agency (EPA).

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

THE SERVICE AREA

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

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

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

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

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Population Growth

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

Historical Population Growth in the District

Year	**Population**[1]	**Population Increase (%)**[2]
1960	660,338	-
1970	973,247	47
1980	1,085,332	12
1990	1,431,000	32
2000	1,551,000	8
2010	1,674,917	8
2020	1,813,000	8
2023	1,817,000	0

(1) Sources: 1960-2020, United States Bureau of the Census; 2023, Weldon Cooper Center.
(2) Increase in population includes both increases in population within the District's original service area, as well as the expansion of the District's service area.

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The District's top ten ratepayers represented 7.6% of the District's total rate base, as measured by wastewater treatment charges, in Fiscal Year 2023. The following table compares the top ten ratepayers in Fiscal Year 2023 with the top ten ratepayers in Fiscal Year 2014.

Wastewater Treatment Charges
Ten Largest Customers

		Fiscal Year 2023		Fiscal Year 2014	
Customer	Type	Amount[1]	% of Total	Amount[1]	% of Total
U.S. Navy - Norfolk Naval Base	Military Facility	$6,711	1.80%	$4,026	1.90%
Anheuser - Busch, Inc.	Brewery	4,015	1.00	4,457	2.10
Huntington Ingalls Industries[2]	Shipbuilding	2,891	0.80	1,661	0.80
U.S. Air Force-Langley Air Force Base	Military Facility	2,492	0.70	-	-
Norfolk Naval Shipyard	Military Ship Repair	2,449	0.60	1,249	0.60
Norfolk Redevelopment & Housing Authority	Housing Authority	2,361	0.60	1,479	0.70
City of Norfolk	Municipality	2,183	0.60	1,686	0.80
Joint Expeditionary Base Little Creek – Fort Story[3]	Military Facility	2,031	0.50	1,384	0.70
Oceana Naval Air Station / Dam Neck	Military Facility	1,812	0.50	-	-
City of Virginia Beach	Municipality	1,777	0.50	-	-
Smithfield Foods	Meat Processor	-	-	3,327	1.60
U.S. Army - Fort Eustis	Military Facility	-	-	1,076	0.50
Sentara Healthcare	Healthcare	-	-	1,019	0.50
Totals[4]		**$28,722**	**7.60%**	**$21,364**	**10.20%**

(1) Dollar amounts in thousands.
(2) Formerly Northrop Grumman Newport News/Newport News Shipbuilding and Dry Dock Co.
(3) Formerly U.S. Navy – Little Creek Amphibious Base.
(4) Totals may not add due to rounding.

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Wastewater Flow

During the past five years, the number of service connections has grown by 2.1%. Billed water consumption has declined by approximately 1.0% during such period because of conservation efforts on the part of utility customers fostered by increasing water and sewer rates, improved construction materials and the installation of low flow plumbing fixtures.

Wastewater Flows and Service Connections

Fiscal Year Ended June 30	Average Daily Wastewater Flow[1]	Total Billed Wastewater Flow[1,2]	Service Connections
2019	152.6	110	476,000
2020	140.9	110	478,000
2021	154.4	111	481,000
2022	132.3	111	484,000
2023	135.1	109	486,000

(1) Millions of Gallons per Day (MGD).
(2) Water meters are read for billing purposes by the participating jurisdictions.

Expansion of Service Area

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

Environmental Risks

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

THE SYSTEM

The Wastewater System consists of eight major treatment plants (225 million gallons per day (MGD) capacity), six smaller plants (aggregating 1.61 MGD capacity) and its combined interceptor systems consisting of 136 pump and pressure reducing stations and approximately 561 miles of interceptors and collection sewer ranging in diameter from 6 to 66 inches. The interceptors, which are gravity and force mains, convey wastewater from the point of delivery by municipalities, industry and other users of the Wastewater System to the District's treatment plants.

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The following table identifies the location of the District's major treatment plants, their design capacities and, for the Fiscal Year ended June 30, 2023, their average daily flows.

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

Major Treatment Facilities	Average Design Capacity	FY 2023 Annual Average Daily Flow
Army Base [Norfolk]	18.0	8.4
Atlantic [Virginia Beach]	54.0	42.8
Boat Harbor [Newport News]	25.0	10.7
James River [Newport News]	20.0	12.1
Nansemond [Suffolk]	30.0	15.3
Virginia Initiative [Norfolk]	40.0	24.7
Williamsburg [James City County]	22.5	8.7
York River [York County]	15.0	11.6
TOTALS	224.5	134.3

In addition to the major facilities described above, the District operates six additional small wastewater treatment plants: two in Middlesex County with a combined capacity of 0.125 MGD, one in the Town of West Point (King William County) with a capacity of 0.60 MGD, one in King William County with a capacity of 0.10 MGD, one in the Town of Onancock (Accomack County) with a capacity of 0.75 MGD, and one in the Town of Chincoteague (Accomack County) with a capacity of 0.038 MGD. The interceptor system for these localities includes 46 pumping stations. HRSD is responsible for the collection, conveyance and treatment of wastewater, in the Counties of King William, King and Queen, Middlesex, Mathews, and portions of Northampton and Accomack Counties.

System Improvements and Innovations

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

HRSD owns approximately 136 pump stations and pressure reducing stations that use various control scenarios using programmable controls to maintain various set points throughout the interceptor system. To provide a more reliable control and monitoring system, new control panels have been placed at nearly every station and system control points within the last three years. The Supervisory Control and Data Acquisition (SCADA) system, currently nearing the end of the deployment phase, allows for future capacity optimization control regimes, including real time control and predictive measures to get the most out of the interceptor system.

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

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

Certain Eastern Shore communities have identified collection system and wastewater treatment as priorities. HRSD has worked with them to construct a 110,000 linear foot pipeline and five pump stations to serve the Towns of Nassawadox, Exmore, Wachapreague, Onley, and Accomac. This project was at an approximate cost of $48 million and permitted the shutdown of wastewater treatment plants in the Towns of Exmore and Nassawadox, which were in need of replacement. In 2022, HRSD took ownership of the Onancock Wastewater Treatment Plant from the Town of Onancock and set up a new operations work center on the Eastern Shore.

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

Even more stringent nutrient discharge limits will come into effect in 2026 for nitrogen, along with a series of incremental reductions in phosphorus in 2028, 2030, and 2032. To meet the 2026 nitrogen requirements, two large capital projects are now in construction. These include upgrades at James River

Treatment Plant (JRTP) and the closure of Boat Harbor Treatment Plant (BHTP) with the transfer of flow to Nansemond Treatment Plant (NTP) and the expansion of that facility to accommodate the increased flow. The BHTP closure project will include the construction of a large pump station on the BHTP property, installation of a 54-inch force main under the James River, and installation of a network of force mains to NTP.

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

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

In addition, the District has initiated a substantial capital project to add SWIFT to the expanded Nansemond Treatment Plant (50 MGD) with an AWT capacity of 33 MGD. The design-build team has been selected to deliver this project, and detailed design is anticipated to extend into 2025, with startup expected in 2028. This facility is key to meeting future phosphorus limits.

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

At the Atlantic Treatment Plant, HRSD started up a thermal hydrolysis process (THP) for biosolids handling in 2020. The process hydrolyzes and disintegrates sludge using pressure and temperature. As a result, biosolids are now designated as Class "A," which means they are pathogen free and have far fewer land application restrictions, additional biogas is produced for the Combined Heat and Power system, and the process allows significant additional capacity to be gained from the existing anaerobic digesters. In addition to the Class "A" designation, the thermal hydrolysis process will significantly reduce the volume of biosolids produced at the plant, and windrow drying and curing is currently being tested as a means of producing a commercially viable product. HRSD has performed a market assessment of commercial products derived from Class "A" biosolids within coastal Virginia and North Carolina in order to provide secure channels for safe, environmentally beneficial, and cost-effective biosolids end use. As part of a new series of projects and as partly resulting from the flow transferred from the Chesapeake-Elizabeth Plant, HRSD will make additional improvements at the Atlantic Treatment Plant to minimize offsite odor issues, to improve THP process reliability, and to address problems with primary clarification by adding gravity thickening of primary solids.

The District continues to pursue renewable energy projects, such as the Atlantic Treatment Plant Digester Gas Combined Heat and Power (CHP) project completed in 2013. This project feeds internal combustion engines with treated digester gas to meet up to 40% of the 2.5 megawatt demand of the treatment plant and provides heating to the administration buildings and digesters. The digester gas treatment system uses a biological hydrogen sulfide gas scrubber, which was the first municipal installation in North America. In 2020, the District also implemented at the Atlantic Treatment Plant a system that increases biogas generation by receiving and processing restaurant-derived fats, oils, and grease (brown grease) containing water and converting it to additional digester gas.

In 2008, HRSD worked with the Navy to use the Atlantic Treatment Plant's effluent to act as a heat sink for a large Navy facility located adjacent to the plant. This system, similar in function to a geothermal system, saves the Navy $3 million per year and won a Federal Facility Presidential Award in 2009. The District has installed its first photovoltaic array at the SWIFT Research Center, a 60 kW system that supplies approximately one-quarter of the SWIFT Research Center's operating power demand.

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

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

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

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

Capital Improvement Program

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

The District has undertaken an Integrated Plan that will use innovative approaches to removing nutrients from the Chesapeake Bay and assist with other regional issues such as aquifer recharge and land subsidence. The centerpiece of the Integrated Plan is the SWIFT program, which will further treat plant effluent to drinking water standards and use it to recharge the Potomac aquifer. The 2025-2034 CIP includes $1.8 billion for the SWIFT program. The Integrated Plan also addresses sanitary sewer overflows (SSO) and has allocated $200 million for projects that will have the largest impact towards reducing SSO's during wet weather events.

The 2025-2034 CIP includes approximately $3.3 billion in interceptor system, treatment plant, water reuse, and other facility improvements. Of that total, $716 million is identified for the rehabilitation and upgrade of wastewater treatment plants. A number of interceptor sewer projects, totaling approximately $692 million, are in the planning, design or construction phase. These planned projects are proposed to address aging infrastructure issues within the District's extensive interceptor sewer piping system. Upgrades to aging sewer pump stations and new pump stations to serve Hampton Roads are an important part of the CIP, with over $262 million of such improvements planned in the next ten years. The CIP includes $293 million in anticipated biosolids management improvements.

The following table sets forth the District's anticipated sources of funds for the Capital Improvement Plan in Fiscal Years 2025 through 2029.

[Remainder of page intentionally left blank.]

CIP, Fiscal Years 2025 to 2029
(Dollar amounts in thousands)
(As of Fiscal Years ending June 30)

	2025	2026	2027	2028	2029	Total (2025-29)
Va. Clean Water Revolving Fund Loan	$40,000	$40,000	$40,000	$40,000	$40,000	$200,000
WIFIA Bonds	385,693	211,144	277,872	80,000	80,000	1,034,709
Water Quality Improvement Fund (WQIF) Grants(1)	246,457	234,000	58,393	45,500	68,022	652,372
HRSD Cash	155,635	152,820	143,308	140,462	145,234	742,459
Reimbursements	24,831	3,348	1,500	1,500	9,306	40,485
Line of Credit (Negative = Pay Off)	(32,616)	(2,311)	(65,073)	77,538	(17,562)	(40,024)
Total Sources for Capital Expenditures(2)	$820,000	$639,000	$461,000	$385,000	$325,000	$2,630,000

(1) The timing and amount of the Water Quality Improvement Fund (WQIF) grants is dependent on funding provided by the Commonwealth and is subject to change. HRSD plans to adjust its funding sources, if needed, based on the receipt of WQIF grants.
(2) Totals may not add due to rounding.

The District plans to fund the Capital Improvement Program through a combination of cash and debt financing as shown in the above table. The CIP also includes $1.25 billion in funding in Fiscal Years 2030 through 2035, of which $494 million is planned to be funded with debt proceeds and $756 million with operating cash.

In addition to its ten-year planning horizon, the District undertakes preliminary planning for its CIP through 2044. While subject to change, the District estimates additional capital expenditures of $2.59 billion for years 2035-2044, with approximately 31% to be financed with new debt. Capital expenditures include estimated costs associated with the RWWMP discussed under " – State Consent Agreement and EPA Consent Decree" below.

The proposed new debt conservatively assumes a combination of interim financing, federal and state subsidized funding, and new money revenue bonds issued in fiscal year 2035 with a rate of 5%. HRSD continues to seek the lowest cost of capital by using the Virginia Clean Water Revolving Loan Fund (VCWRLF) and Water Infrastructure Finance and Innovation Act (WIFIA) loans. For example, based on current market conditions and the lower interest rates available through the capital markets, the District anticipates using proceeds of the Series 2024B Bonds to fund a portion of projects previously planned to be funded with proceeds of WIFIA Bonds. HRSD is currently drawing down two closed loans in the WIFIA program totaling $702 million, and three VCWRLF loans totaling $206 million. See "SECURITY AND SOURCES OF PAYMENT – Senior Obligations." The District will continue to monitor market conditions to obtain the most advantageous method of future CIP financing.

Regulation and Permits

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

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

State Consent Agreement and EPA Consent Decree

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

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

The Amended Consent Decree has two major operative requirements. First, it requires HRSD to implement its approved Regional Wet Weather Management Plan ("RWWMP") to control 69 percent of the capacity-related sewer overflow volume predicted to occur in a five-year storm event. Because HRSD has assumed responsibility for planning (in consultation with the 14 affected localities), designing, funding, and implementing the controls (high priority projects) in both the localities' systems and the HRSD system contained in the approved RWWMP, HRSD estimates the regional ratepayers will achieve significantly reduced program costs than if each locality sought to address peak wet weather wastewater flows on its own. To further facilitate this approach, the 14 affected localities entered into a Memorandum of Agreement with HRSD in 2014 in which they agreed to (1) cooperate with HRSD, (2) facilitate the construction of and accept ownership of any improvements 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 also required HRSD to implement a total of 45 projects from its ten-year CIP. These 45 projects totaled approximately $306 million. HRSD has timely and fully satisfied the requirement of the Amended Consent Decree to implement these 45 early action projects.

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

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

Environmental Priorities and Efforts

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

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

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

Cybersecurity

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

In 2019, the District developed an Information Technology governance plan and technology roadmap, that included risk management, business continuity, and new technology integration. The District is implementing this plan over time, at a total estimated cost of approximately $15.5 million between FY 2019 and 2027.

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

and compliance with requirements of applicable federal, and state law and the District's policies and regulations.

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

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

COVID-19 Matters

In FY 2021, the District paused its planned rate increase and held rates flat to assist ratepayers that were otherwise negatively affected by the COVID-19 pandemic. The District also participated in the Low Income Household Water Assistance Program, which provided eligible ratepayers assistance with their wastewater bills. In FY 2021, the first full fiscal year affected by the COVID-19 pandemic, the District's flows increased 3.2%. This was a reversal of a trend of moderating declining consumption, which may be attributable to the increased use of low-flow appliances among the District's ratepayers. In FY 2023, flows returned to the pre-pandemic level from FY 2020.

FINANCIAL MANAGEMENT

General

Through its annual budget process, management seeks to ensure that operating revenues are sufficient to meet operating expenses and sufficient reserves are available in the event actual billings do not meet budgetary expectations. The upgrades and expansion of new treatment plants and extensions and improvements of the interceptor system are financed by a combination of operating revenues and debt financing. The following table sets out the District's operating results and debt service coverage for the Fiscal Years ended June 30, 2019, through June 30, 2023.

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

	2019	2020	2021	2022	2023
Operating Revenues					
Wastewater Treatment Charges	$299,323	$318,585	$325,817	$352,414	$383,115
Miscellaneous	3,798	3,447	3,952	5,532	4,820
Total Operating Revenues	$303,121	$322,032	$329,769	$357,946	$387,935
Operating Expenses					
Wastewater Treatment	$117,189	$122,393	$132,820	$134,135	$149,532
General and Administrative	41,121	46,949	48,691	45,673	53,995
Total Operating Expenses, excluding Depreciation	$158,310	$169,342	$181,511	$179,808	$203,527
Non-Operating Revenues (Expenses)					
Wastewater Facility Charges	$6,662	$6,444	$7,379	$7,072	$7,293
Investment Income	8,719	5,876	471	(1,651)	6,068
Bond Interest Subsidy[(2)]	2,308	2,205	2,167	2,052	2,015
Capital Distributions to Localities[(3)]	-	-	(376)	(13)	(2,422)
Bond Issuance Costs	(53)	(1,290)	(682)	(311)	(98)
Net Non-Operating Revenues (Expenses)	$17,636	$13,235	$8,959	$7,149	$12,856
Net Revenues (GAAP)	$162,447	$165,925	$157,217	$185,287	$197,264
Add Back: Operating Expenses on Improvements not Owned by HRSD	-	-	376	13	2,422
Net Revenues (Adjusted)	$162,447	$165,925	$157,593	$185,300	$199,686
Debt Service[(4)]	$61,905	$59,011	$59,213	$61,017	$66,391
Debt Service Coverage Ratio (GAAP)	2.62	2.81	2.66	3.04	2.97
Debt Service Coverage Ratio[(4)] (Adjusted Cash Basis)	2.62	2.81	2.66	3.04	3.01

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

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

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

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

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

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

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

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

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

	2025	2026	2027	2028	2029
Operating Revenues[2]	$452,127	$490,832	$532,554	$559,489	$586,991
Non-Operating Revenues	15,065	13,783	14,416	15,120	15,518
Less Operating Expenses Excluding Depreciation	(275,722)	(316,231)	(355,551)	(370,918)	(348,485)
Net Revenues	$191,470	$188,383	$191,420	$203,691	$254,024
Add Back: Operating Expenses on Improvements not Owned by HRSD	$9,630	$36,706	$39,608	$34,244	$17,724
Net Revenues (Adjusted)	$201,100	$225,089	$231,028	$237,935	$271,748
Debt Service[2][3][4]	$90,295	$99,923	$110,746	$111,241	$130,725
Debt Service Coverage Ratio (Adjusted)[2][3][4]	2.23	2.25	2.09	2.14	2.08
Key Assumptions[5]					
Rate Increases	9.0%	9.0%	9.0%	9.0%	6.5%
Change in Consumption	0.0%	-0.1%	-0.15%	-0.25%	-0.4%
Key Inflation Trends					
Average Inflation	4.6%	4.7%	5.3%	4.6%	4.3%
Personal Expenses	6.0%	10.0%	10.0%	9.0%	5.0%
Healthcare Rates	5.2%	5.2%	5.2%	5.2%	5.2%
Contractual Services	5.0%	5.0%	8.0%	5.0%	5.0%
Costs of Issuance	$300	-	-	-	-

(1) Totals may not add due to rounding.
(2) Revenues and Operating Expenses presented in accordance with generally accepted accounting principles; Debt service presented on a cash basis (i.e. debt service actually due during the related Fiscal Year).
(3) Debt service does not include principal and interest on the Line of Credit. See "PLAN OF FINANCING – Future Financings" herein.
(4) Assumes debt service on variable rate Series 2016B Bonds of 3.5 to 5.0% per annum. No assurance can be given, however, that the rate on the Series 2016B Bonds will not be higher than assumed above.
(5) While the District believes the assumptions set forth above are reasonable, actual results may vary.

Budgeting and Accounting

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

Financial Statements. In accordance with accounting principles generally accepted in the United States, the District's audited general purpose financial statements are prepared on an accrual basis of accounting. The District's audited basic financial statements and the report thereon by Cherry Bekaert LLP, for the Fiscal Year ended June 30, 2023, are included in Appendix A. The District's independent auditor, Cherry Bekaert LLP, has not been engaged to perform and has not performed, since the date of its report included in Appendix A, any procedures on the financial statements addressed in that report. Cherry Bekaert LLP also has not performed any procedures relating to this Official Statement.

The Government Finance Officers Association of the United States and Canada has awarded a Certificate of Achievement for excellence in Financial Reporting to the District for its annual comprehensive financial reports for 40 consecutive Fiscal Years. In order to be awarded a Certificate of Excellence, a governmental unit must publish an easily readable and efficiently organized annual comprehensive financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

FY 2024 Budget; Interim financial reports. The District's FY 2024 Budget represents total revenue and expense increases of $40.64 million, or 10.5% over the adopted FY 2023 Budget. This increase was supported with a 9.0% rate increase plus increases in other revenue sources such as investment income. Fourth quarter interim (unaudited) financial results for FY 2024 indicate that revenues exceeded budgetary estimates by approximately 4% and that expenses were under budget by approximately 15%. The interim financial report summarizes the results of the District's operations on a basis of accounting that differs from generally accepted accounting principles. Revenues are recorded on an accrual basis, whereby they are recognized when billed, and expenses are generally recorded on a cash basis. No provision is made for non-cash items such as depreciation and bad debt expense.

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

Rates

The District periodically reviews its rate structure and revises its charges as necessary to generate the revenues required to meet its current financial obligations. The most recent general increase in rates became effective July 1, 2024. The District's full rate schedule appears on the District's website, www.hrsd.com.

Currently, the District's typical residential customer pays less than $46 per month for sewage interception and treatment services provided by the District. The District's sewage interception and treatment charge generally is one of the smallest public service utility bills its customers receive. Generally, the District bills and collects directly from its customers on a monthly, bimonthly, or quarterly basis depending upon the community. The jurisdictions provide the meter readings, which are the basis of the District's billing operation.

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

The District provides billing services to several of the jurisdictions it serves, including Chesapeake, Norfolk, Smithfield, Suffolk, King William, Urbanna and Surry County, excluding the Town of Claremont. The combined bill can include jurisdictional charges for water, solid waste disposal, sewage collection, storm water mitigation and District charges for sewage interception and treatment. To date, these services have been provided at no cost to assist the jurisdictions and customers the District serves to minimize the number of bills the customers receive and number of payments they need to make.

Rate-Making Process

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

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

Collection of Unpaid Wastewater Treatment Charges

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

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

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

Collection Rate

Fiscal Year Ended June 30	**Percentage of Wastewater Treatment Charges Collected**
2014	99.3%
2015	99.1
2016	99.1
2017	99.1
2018	99.3
2019	99.2
2020	99.3
2021	99.3
2022	99.6
2023	99.3

Insurance

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

LITIGATION

There is no litigation pending in any court (either state or federal) or, to the knowledge of the District, threatened against the District that in any way questions or affects the validity of or the security for the Series 2024B Bonds or that would have a material adverse effect on the District's condition, financial or otherwise.

APPROVAL OF LEGAL PROCEEDINGS

The Series 2024B Bonds are offered subject to the approving opinion of Norton Rose Fulbright US LLP, Washington, D.C., Bond Counsel. Certain legal matters will be passed upon for the District by its General Counsel, Sands Anderson PC, Richmond, Virginia, and for the Underwriters by Kaufman & Canoles, a Professional Corporation, Richmond, Virginia.

TAX MATTERS

Opinion of Bond Counsel

The District will covenant in a tax certificate to comply with certain provisions of the Internal Revenue Code of 1986 (the "Code") relating to the exclusion from gross income of the interest on the Series 2024B Bonds for federal income tax purposes. In the opinion of Norton Rose Fulbright US LLP, Bond Counsel, under current law, and assuming continuing compliance by the District with such covenants and subject to the provisions of this section, interest on the Series 2024B Bonds will not be includable in gross income of the owners of the Series 2024B Bonds for federal income tax purposes. Interest on the Series 2024B Bonds will be includable in the gross income of the owners thereof retroactive to the date of issue of the Series 2024B Bonds in the event of a failure by the District to comply with applicable requirements of the Code and its covenants regarding use, expenditure, and investment of the proceeds of the Series 2024B Bonds and timely payment of certain investment earnings to the United States Treasury. No opinion is rendered by Bond Counsel as to the effect on the exclusion from gross income of the interest on the Series 2024B Bonds for federal income tax purposes of any action taken or not taken without the approval of Bond Counsel or upon the advice or approval of counsel other than Bond Counsel.

Interest on the Series 2024B Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax under the Code on individuals.

For taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than one billion dollars in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer's applicable financial statement for such taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Series 2024B Bonds. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Series 2024B Bonds.

Original Issue Discount

The excess, if any, of the amount payable at maturity of any maturity of the Series 2024B Bonds purchased as part of the initial public offering over the issue price thereof constitutes original issue discount. The amount of original issue discount that has accrued and is properly allocable to an owner of any maturity of the Series 2024B Bonds with original issue discount (a "Discount Bond") will be excluded from gross income for federal income tax purposes to the same extent as interest on the Series 2024B Bonds. In general, the issue price of a maturity of the Series 2024B Bonds is the first price at which a substantial amount of Series 2024B Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers), which may differ from the price for such maturity shown on the inside cover page of this Official Statement, and the amount of original issue discount accrues in accordance with a constant yield method based on the compounding of interest. A purchaser's adjusted basis in a Discount Bond is to be increased by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or other disposition of such Discount Bonds for federal income tax purposes.

Original issue discount that accrues in each year to an owner of a Discount Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed herein. Consequently, an owner of a Discount Bond should be aware that the accrual of original issue discount in each year may result in additional distribution requirements or other collateral federal income tax consequences although the owner of such Discount Bond has not received cash attributable to such original issue discount in such year.

The accrual of original issue discount and its effect on the redemption, sale, or other disposition of a Discount Bond that is not purchased in the initial offering at the first price at which a substantial amount of such Series 2024B Bonds is sold to the public may be determined according to rules that differ from those described above. A purchaser of a Discount Bond should consult his or her tax advisors with respect to the determination for federal income tax purposes of the amount of original issue discount with respect to such Discount Bond and with respect to state and local tax consequences of owning and disposing of such Discount Bond.

Bond Premium

The excess, if any, of the tax basis of a maturity of Series 2024B Bonds purchased as part of the initial public offering to a purchaser (other than a purchaser who holds such Series 2024B Bonds as inventory, stock in trade, or for sale to customers in the ordinary course of business) over the amount payable at maturity is "Bond Premium." Bond Premium is amortized over the term of such maturity for federal income tax purposes (or, in the case of a bond with bond premium callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). No deduction is allowed for such amortization of Bond Premium; however, Bond Premium is treated as an offset to qualified stated interest received on the Series 2024B Bonds. An owner of such Series 2024B Bonds is required to decrease his adjusted basis in such Series 2024B Bonds by the amount of amortizable Bond Premium attributable to each taxable year such Series 2024B Bonds are held. Purchasers of such Series 2024B Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the treatment of Bond Premium upon sale, redemption or other disposition of such Series 2024B Bonds and with respect to state and local income tax consequences of owning and disposing of such Series 2024B Bonds.

Backup Withholding

Interest paid on the Series 2024B Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. While this reporting requirement does not by itself, affect the excludability of interest on the Series 2024B Bonds from gross income for federal income tax purposes, the reporting requirement causes the payment of interest on the Series 2024B Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (i) are not "exempt recipients," and (ii) either fail to provide certain identifying information (such as the beneficial owner's taxpayer identification number) in the required manner or have been identified by the Internal Revenue Service as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Amounts withheld from a payment to a beneficial owner under the backup withholding rules would be allowed as a refund or a credit against such beneficial owner's federal income tax liability provided the required information is furnished to the Internal Revenue Service.

Other Tax Consequences

The Code contains other provisions (some of which are noted below) that could result in tax consequences, upon which Bond Counsel expresses no opinion, as a result of ownership of the Series 2024B Bonds or the inclusion in certain computations of interest on the Series 2024B Bonds that is excluded from gross income for purposes of federal income taxation.

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

PROSPECTIVE PURCHASERS OF THE SERIES 2024B BONDS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE APPLICABILITY AND IMPACT OF ANY SUCH COLLATERAL TAX CONSEQUENCES.

Future Tax Developments

Future or pending legislative proposals, if enacted, regulations, rulings or court decisions may cause interest on the Series 2024B Bonds to be subject, directly or indirectly, to federal income taxation or to state or local income taxation, or may otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. Legislation or regulatory actions and future or pending proposals may also affect the economic value of the federal or state tax exemption or the market value of the Series 2024B Bonds. Prospective purchasers of the Series 2024B Bonds should consult their tax advisors regarding any future, pending or proposed federal or state tax legislation, regulations, rulings or litigation as to which Bond Counsel expresses no opinion.

Virginia Taxes

The Enabling Act provides that the Series 2024B Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, shall be free and exempt from taxation by the Commonwealth of Virginia and by any political subdivision thereof.

UNDERWRITING

Pursuant and subject to the terms and conditions set forth in a Bond Purchase Agreement (the "Purchase Agreement"), dated July 23, 2024, between the District and BofA Securities, Inc., Wells Fargo Bank, National Association, and Stifel, Nicolaus & Company, Incorporated (the "Underwriters"), for whom BofA Securities, Inc., is acting as representative, the Underwriters will agree to purchase from the District, and the District will agree to sell to the Underwriters, all, but not less than all, of the Series 2024B Bonds at a purchase price that results in an Underwriters' discount of $479,905.03. The Underwriters have supplied the information as to the prices shown on the inside cover page.

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

BofA Securities, Inc., an underwriter of the Series 2024B Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA Securities, Inc., may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc., may compensate MLPF&S as a dealer for their selling efforts with respect to the Series 2024B Bonds.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association ("WFBNA"), which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Finance Group, a separately identifiable department of WFBNA, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

WFBNA, acting through its Municipal Finance Group, one of the Underwriters of the Series 2024B Bonds, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name "Wells Fargo Advisors") ("WFA"), for the distribution of certain municipal securities offerings, including the Series 2024B Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting compensation with respect to the Series 2024B Bonds with WFA. WFBNA has also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the Series 2024B Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

FINANCIAL ADVISOR

The District has retained PFM Financial Advisors LLC, Arlington, Virginia, as financial advisor (the "Financial Advisor") in connection with the issuance of the Series 2024B Bonds. Although the Financial Advisor assisted in the review of this Official Statement, the Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Financial Advisor is a financial advisory, investment management and consulting organization and is not engaged in the business of underwriting municipal securities.

RATINGS

The Series 2024B Bonds have been assigned a rating of "Aa1" by Moody's Investors Service, Inc. ("Moody's"), and "AA+" by S&P Global Ratings, a division of S&P Global Inc. ("S&P"). Such ratings reflect only the view of such organizations, and a fuller explanation of the significance of such ratings may be obtained from the rating agencies. A rating is not a recommendation to buy, sell or hold the Series 2024B Bonds. The District furnished Moody's and S&P with certain information regarding its policies, practices and finances, including information that is not included in this Official Statement.

There is no assurance that such policies, practices and finances or such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by

Moody's or S&P. Any such downward revision or withdrawal could have an adverse effect on the market price of the Series 2024B Bonds.

CONTINUING DISCLOSURE

The Securities and Exchange Commission has adopted Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the "Rule"). In general, the Rule prohibits an underwriter from purchasing or selling municipal securities, such as the Series 2024B Bonds, unless it has determined that the issuer of such securities and other persons deemed to be material "obligated persons" have committed to provide to The Electronic Municipal Market Access ("EMMA") system administered by the Municipal Securities Rulemaking Board (i) on an annual basis, certain financial information and operating data ("Annual Reports"), and audited financial statements, if available, or such unaudited financial statements as may be required by the Rule, and (ii) notice of various events described in the Rule ("Event Notices").

The District will covenant in the Continuing Disclosure Agreement (the form of which appears in Appendix E) for the benefit of the holders of the Series 2024B Bonds to provide to EMMA annually, not later than December 31 of each year, commencing December 31, 2024, Annual Reports with respect to itself, as issuer. Similarly, the District will promptly provide Event Notices with respect to the Series 2024B Bonds to EMMA. In the five years preceding the date of this Official Statement, the District has materially complied with its other undertakings under the Rule.

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

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

MISCELLANEOUS

All summaries or descriptions in this Official Statement of the provisions of the Enabling Act, the Series 2024B Bonds, and the Trust Agreement are made subject to all of the detailed provisions thereof to which reference is made for further information. Such summaries do not purport to be complete statements of any or all of the provisions thereof. Copies of the Trust Agreement are available upon request to the District at the following address: 1434 Air Rail Avenue, Virginia Beach, Virginia 23455, Phone (757) 460-2261.

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

/s/ Stephen C. Rodriguez
Chair
Hampton Roads Sanitation District Commission

/s/ Jay A. Bernas
General Manager and Chief Executive Officer
Hampton Roads Sanitation District

/s/ Steven G. de Mik
Deputy General Manager and Chief Financial Officer
Hampton Roads Sanitation District

APPENDIX A

Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2023, including as a part thereof, the Basic Financial Statements and Related Auditor's Report for the Fiscal Year ended June 30, 2023, as rendered by Cherry Bekaert LLP[1][2]

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(1) This Appendix comprises the District's Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2023. In order to preserve cross-references within such pages, this Appendix has not been repaginated and, accordingly, retains the original pagination.

(2) Cherry Bekaert LLP, the District's independent auditor, has not been engaged to perform and has not performed, since the date of its report included in this Appendix, any procedures on the financial statements addressed in that report. Cherry Bekaert LLP also has not performed any procedures relating to this Official Statement.

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Annual Comprehensive Financial Report

For the Fiscal Years Ended June 30, 2023 and 2022

Hampton Roads Sanitation District

(A Component Unit of the Commonwealth of Virginia)

Photos used for this publication feature the Grand Opening of Woodstock Park in Virginia Beach, Virginia. HRSD and Virginia Beach Parks & Recreation (VBPR) entered a mutually beneficial partnership aligning parks and recreation planning with wastewater utility infrastructure needs. This partnership culminated in a multiuse facility that serves the Virginia Beach community while also meeting important regional infrastructure demands. The Woodstock Park Project consisted of a 5.2-million-gallon offline storage tank designed to help reduce the risk of wet-weather-related sanitary sewer overflows, topped by an integrated green roof and cutting-edge, 30,000-sq.-ft. skatepark for the wheeled sport community. The partnership also allowed VBPR to accelerate their planned renovations and improvements throughout Woodstock Park, including new pavilions, pickleball courts, restrooms, and other park amenities. Interpretive elements have also been installed around the park to engage visitors to learn more about the storage tank and how it operates, the skatepark features, and the function of the park's unique stormwater management facilities.

HAMPTON ROADS SANITATION DISTRICT

ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

PREPARED BY THE FINANCE DEPARTMENT

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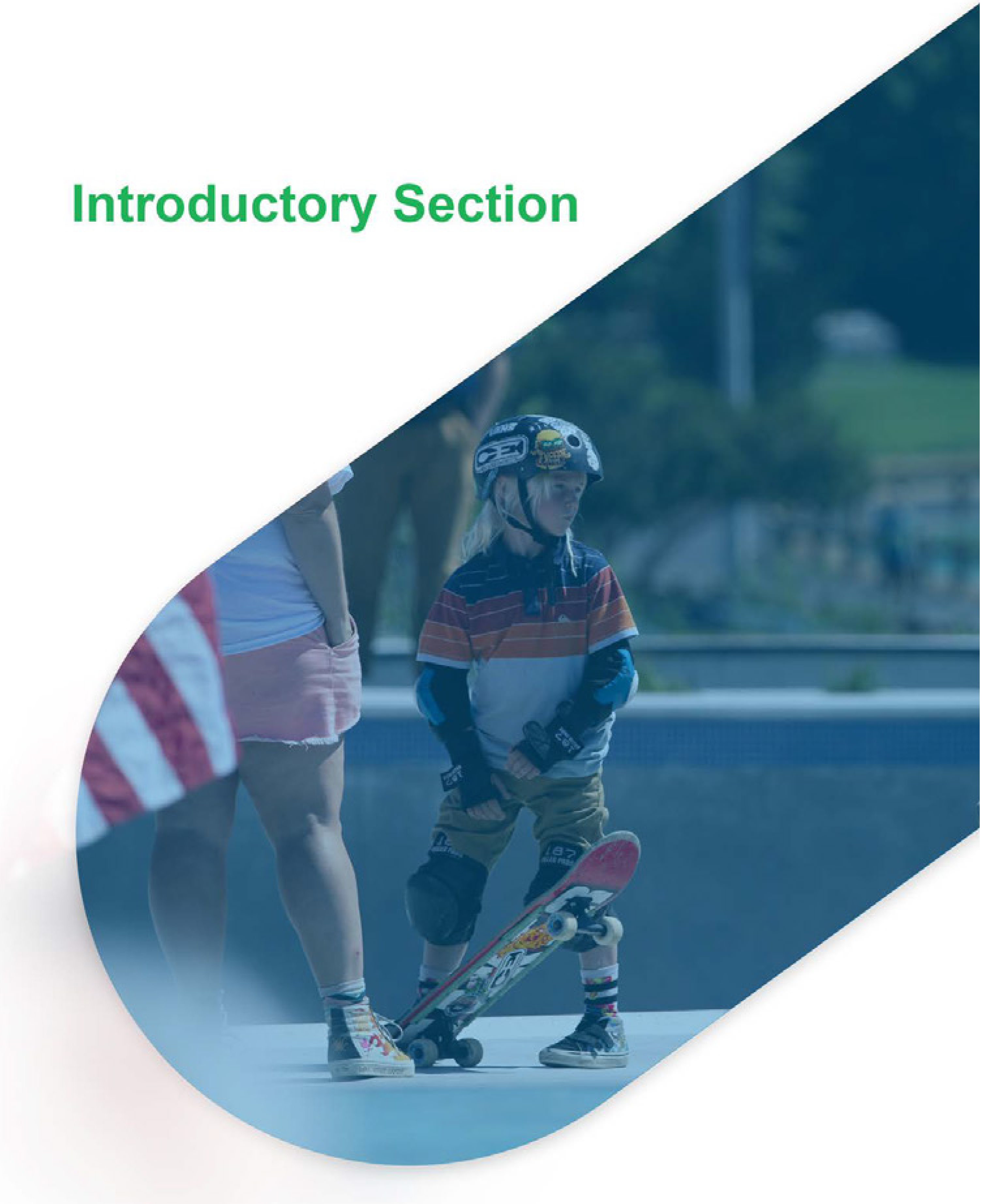
STATISTICAL SECTION (UNAUDITED)

OTHER SUPPLEMENTAL SECTION (UNAUDITED)

Introductory Section



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October 23, 2023

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, 2023. 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, 2023. 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 486,000 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 16 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 2023.

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

A diverse customer base allows HRSD to maintain stable revenues. The ten largest customers account for only 7.6 percent of wastewater revenues for fiscal year 2023. In addition, HRSD's 2023 revenues contained only limited reliance (1.8 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, senior debt service coverage and total adjusted debt service coverage ratios should not be less than 1.5 and 1.4 times annual debt service, respectively with a goal of maintaining 2.0. 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, 2022. This was the 40th 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

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

Kassandra Pagan
Chief 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, 2022

Christopher P. Morrill

Executive Director/CEO

Principal Officials
June 30, 2023

COMMISSIONERS

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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

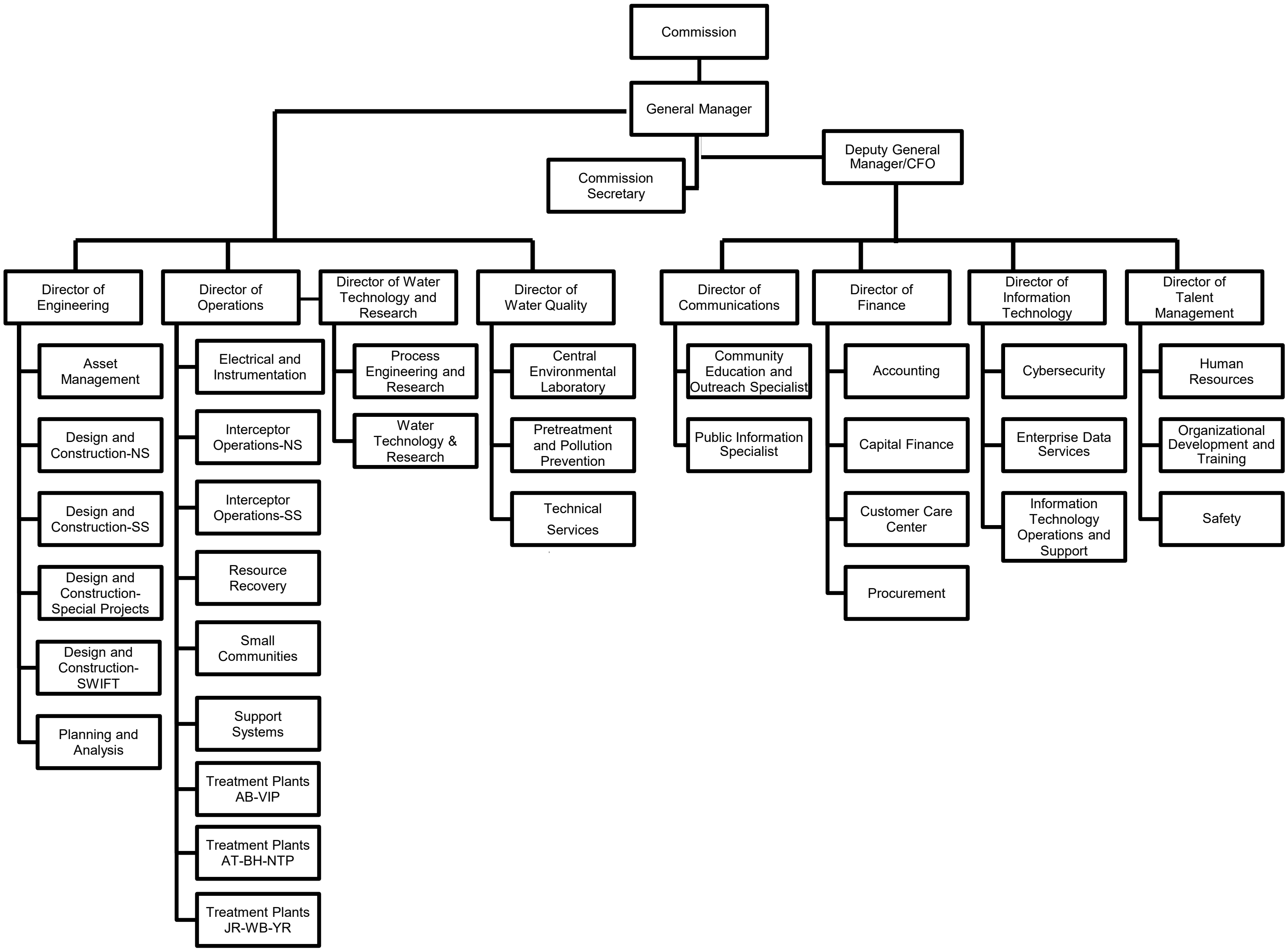
Sands Anderson, PC
General Counsel

AquaLaw, PLC
Special Counsel

Norton Rose Fulbright US, LLP
Bond Counsel

HRSD Organization Chart

June 30, 2023



HRSD Service Area

June 30, 2023

HRSD History
June 30, 2023

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 staff.

HRSD began operations on July 1, 1946, using facilities acquired from the United States Government. The Warwick County Trunk Sewer, HRSD's first construction project, began on June 26, 1946, and was funded by HRSD's $6.5 million Primary Pledge Sewer Revenue Bonds, dated March 1, 1946. The first treatment plant, the Army Base 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 2023.

Throughout its rich history HRSD has earned many of its industry's most prestigious awards. This tradition continued as the National Association of Clean Water Agencies (NACWA) presented Peak Performance Awards for outstanding compliance with National Pollutant Discharge Elimination System (NPDES) permits to the following HRSD treatment plants during the year ended June 30, 2023: Treatment plants receiving Gold awards for achieving perfect compliance for an entire year: Army Base, Central Middlesex, Onancock and Urbanna. King William, Nassawadox Riverside and West Point treatment plants each earned a Silver award for having no more than five permit violations in the calendar year. Our Platinum award winners this year were Atlantic (8 consecutive years of compliance), Boat Harbor (21 consecutive years), James River (9 consecutive years), Nansemond (21 consecutive years), Virginia Initiative Plant (27 consecutive years), Williamsburg (28 consecutive years) and York River (15 consecutive years).

Additional awards and honors received during the year ended June 30, 2023 include NACWA National Environmental Achievement Awards for Research and Technology, Public Information and Education and Workforce Development. The Providence Road Offline Storage Facility and Woodstock Park Improvements Project earned several honors, including the Build America Merit Award, the 2022 Water Environment Federation Project Excellence Award, the Design-Build Institute of America (DBIA) Merit Award and Award of Excellence in the Water/Wastewater sector and 2022 DBIA Mid-Atlantic Region Honor Award for Best Design-Build Project. The HRSD Finance Department was also recognized by the Environmental Protection Agency (EPA), receiving the 2022 George F. Ames PISCES award for Innovative Finance.

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Financial Section

Cleaning wastewater every day for a better Bay.

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Cherry Bekaert LLP
Your Guide Forward

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, a component unit of the Commonwealth of Virginia ("HRSD"), as of and for the years ended June 30, 2023 and 2022, 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, 2023 and 2022, 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 the 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise HRSD's basic financial statements. The accompanying other supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining custodial fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory, Statistical, and Other Supplemental Sections, 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 23, 2023, 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.

Cherry Bekaert LLP

Virginia Beach, Virginia
October 23, 2023

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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, 2023 and 2022, 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 $117.5 million, or 11.1 percent, in 2023 as a result of fiscal year 2023 operations. Total net position increased by $108.7 million, or 11.4 percent in fiscal year 2022.
- Fiscal year 2023 total revenues increased by $37.9 million, or 10.4 percent, 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. Fiscal year 2022 reflected a total revenues increase of $25.6 million, or 7.5 percent. This increase was mainly due to a $28.2 million increase in operating revenues generated from an increase in wastewater treatment rates with a slight offset of $2.1 million decrease in investment income primarily due to market volatility and the effect of rising interest rates on fixed income securities.
- Operating expenses increased by $23.8 million, or 10.2 percent in fiscal year 2023. Inflationary pressures 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. For fiscal year 2022, operating expenses decreased by $0.6 million, or 0.3 percent, due to a $3.0 million decrease in general operating expenses offsetting a $1.3 million increase in wastewater treatment expenses and a $1.1 million increase in depreciation and amortization.
- Restricted cash and cash equivalents increased $0.7 million, or 2.1 percent, in fiscal year 2023 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 the utilization of cash funds to support capital construction projects. Fiscal year 2022 reflected an increase in restricted cash and cash equivalents of $2.7 million, or 8.8 percent, due to an increase in cash restricted for debt service. Unrestricted cash and cash equivalents increased $35.1 million, or 18.4 percent, primarily due to utilizing debt to fund capital construction projects in FY22.
- Net Property, Plant and Equipment increase of $297.2 million, or 17.3 percent, due to $284.7 million net increase in capital projects in progress, $8.0 million increase in land acquisitions, and a $4.6 million increase in net depreciable assets for fiscal year 2023. Fiscal year 2022 reflected a net Property, Plant and Equipment increase of $110.3 million, or 6.9 percent, due to $25.3 million net increase in depreciable assets, $12.5 million increase in land purchases and $72.5 million increase in capital improvement projects in process.

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 exists. These statements are required by accounting principles generally accepted in the United States of America (GAAP), as discussed in Notes 2 and 14.

The Notes to Financial Statements, found on pages 26 through 58 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 62 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 $1.18 billion at June 30, 2023 and by $1.06 billion at June 30, 2022.

By far, the largest portion of HRSD's net position (83.4 percent and 78.6 percent at June 30, 2023 and 2022, 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

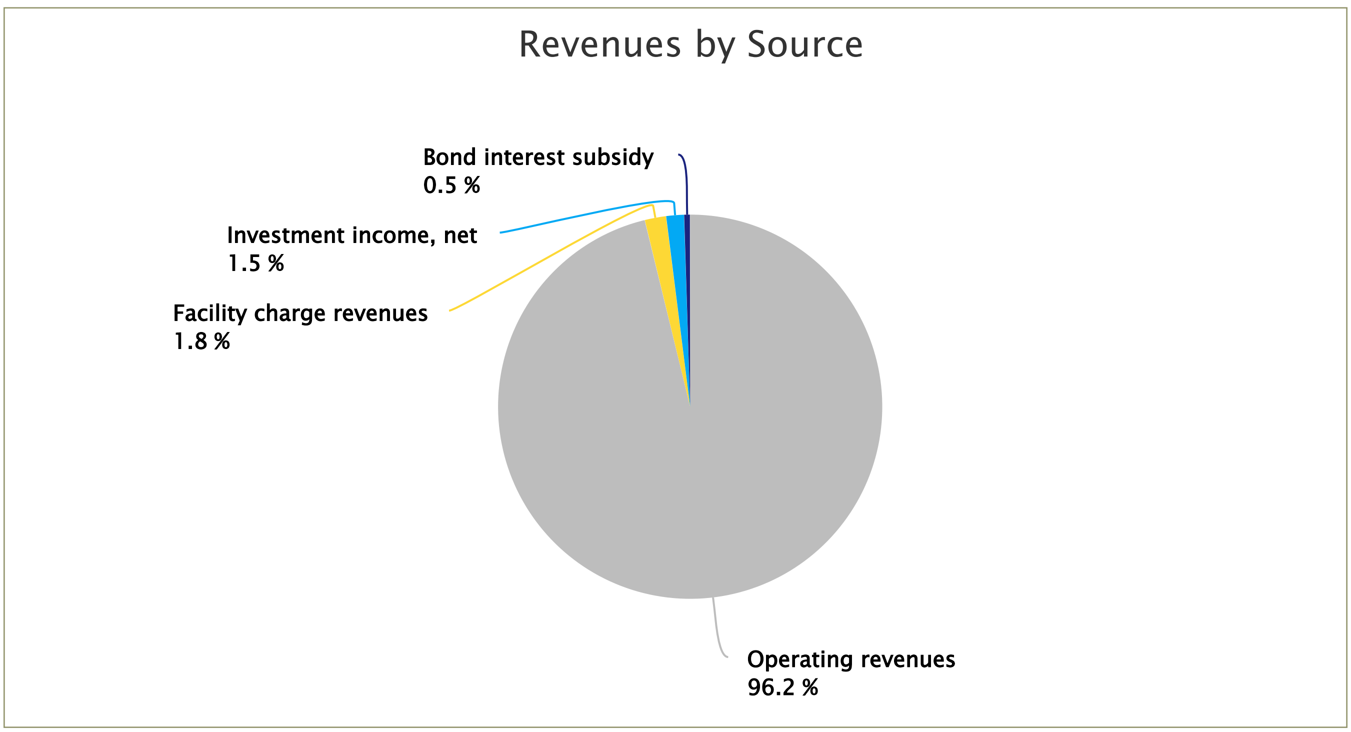
				2023 vs. 2022	
(in thousands)	**2023**	**2022**	**2021**	**Dollars**	**Percent**
Capital assets	$ 2,012,351	$ 1,715,108	$ 1,604,841	$ 297,243	17.3%
Current and noncurrent assets	334,314	346,767	311,141	(12,453)	(3.6%)
Total assets	2,346,665	2,061,875	1,915,982	284,790	13.8%
Deferred outflows of resources	37,522	42,611	42,277	(5,089)	(11.9%)
Long-term liabilities	917,223	796,272	794,371	120,951	15.2%
Current liabilities	271,225	211,670	195,162	59,555	28.1%
Total liabilities	1,188,448	1,007,942	989,533	180,506	17.9%
Deferred inflows of resources	18,717	37,060	17,902	(18,343)	(49.5%)
Net investment in capital assets	981,437	832,427	776,253	149,010	17.9%
Restricted for debt service	33,830	33,134	30,455	696	2.1%
Unrestricted	161,755	193,923	144,116	(32,168)	(16.6%)
Total net position	**$ 1,177,022**	**$ 1,059,484**	**$ 950,824**	**$ 117,538**	**11.1%**

The increase in capital assets is primarily due to the significant increase in construction in progress, most noticeably for major expansion projects at two of HRSD's treatment plants in both fiscal years 2023 and 2022.

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)	2023	2022	2021	2023 vs. 2022 Dollars	2023 vs. 2022 Percent
Revenues:					
Operating revenues	$ 387,935	$ 357,946	$ 329,769	$ 29,989	8.4%
Facility charge revenues	7,293	7,072	7,379	221	3.1%
Investment income, net	6,068	(1,651)	471	7,719	467.5%
Bond interest subsidy	2,015	2,052	2,167	(37)	(1.8%)
Total revenues	**403,311**	**365,419**	**339,786**	**37,892**	**10.4%**
Operating expenses:					
Wastewater treatment	149,532	134,135	132,820	15,397	11.5%
General and administrative	53,995	45,673	48,691	8,322	18.2%
Depreciation and amortization	54,469	54,357	53,278	112	0.2%
Total operating expenses	**257,996**	**234,165**	**234,789**	**23,831**	**10.2%**
Non-operating expenses:					
Bond issuance costs	98	311	682	(213)	(68.5%)
Capital distributions to localities	2,422	13	376	2,409	18530.8%
Interest expense	27,132	25,007	25,339	2,125	8.5%
Total non-operating expenses	29,652	25,331	26,397	4,321	17.1%
Total expenses	**287,648**	**259,496**	**261,186**	**28,152**	**10.8%**
Income before capital contributions	115,663	105,923	78,600	9,740	9.2%
Capital contributions	1,875	2,737	2,317	(862)	(31.5%)
Change in net position	117,538	108,660	80,917	8,878	8.2%
Total net position - beginning	1,059,484	950,824	869,907	108,660	11.4%
Total net position - ending	**$ 1,177,022**	**$ 1,059,484**	**$ 950,824**	**$ 117,538**	**11.1%**



Operating revenues increased by $30.0 million, or 8.4 percent, in 2023 and by $28.2 million, or 8.5 percent, in 2022. The primary increases were due to wastewater rate increases each year of approximately 9.0%. Net Investment income increased $7.7 million in 2023, or 467.5 percent, primarily due to higher interest rates, compared to a $2.1 million decrease, or 450.5 percent, in 2022.

Operating expenses increased by $23.8 million, or 10.2 percent in 2023 and decreased $0.6 million, or (0.3) percent, in 2022. For the fiscal year ending June 30, 2023, inflationary pressures 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. Decreases in fiscal year 2022 were due to a $1.3 million increase in wastewater treatment expenses, a $1.1 million increase in depreciation and amortization, and $3.0 million decrease in general and administrative expenses.

In 2023 and 2022, HRSD received $1.9 million and $2.7 million, respectively, in capital contributions to help finance its capital improvement program.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2023 and 2022, HRSD had approximately $2.0 billion and $1.7 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 $297.2 million, or 17.3 percent in 2023 and a net increase of $110.3 million, or 6.9 percent in 2022.

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

HRSD's Capital Assets

(in thousands)	2023	2022	2021
Land	$ 64,198	$ 56,170	$ 43,658
Treatment plants	644,214	666,215	696,176
Interceptor systems	561,916	537,431	522,400
Buildings	44,022	43,553	26,021
Small community facilities	15,474	15,882	16,123
Office equipment	569	787	788
Automotive	3,481	1,368	1,715
Other equipment	38,158	38,116	13,999
Software and intangible assets	71	-	815
	1,372,103	1,359,522	1,321,695
Construction in progress	640,248	355,586	283,146
Net property, plant and equipment	**$ 2,012,351**	**$ 1,715,108**	**$ 1,604,841**

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

(in thousands)	2023	2022	2021
Balance at beginning of year	$ 1,715,108	$ 1,604,841	$ 1,457,955
Additions	67,050	92,184	207,603
Transfers/Retirements	-	(1,460)	-
Depreciation and amortization	(54,469)	(54,357)	(53,278)
Accumulated depreciation retired	-	1,460	-
Net increase (decrease) in construction in progress	284,662	72,440	(7,439)
Balance at end of year	**$ 2,012,351**	**$ 1,715,108**	**$ 1,604,841**

HRSD's total capital expenditures were $366.6 million during 2023 and $171.7 million during 2022. The continued capital improvements efforts for a transmission pipeline to serve the communities of the Eastern Shore of Virginia and the expansion projects at the James River and Nansemond Treatment Plants were the largest contributors to the increase in expenses. Similarly, fiscal year 2022 expenses were largely attributed to the same projects and the York River Treatment Plant Nutrient Reduction project.

Long Term Debt

The balance for HRSD's bonds outstanding (excluding unamortized bond premium) was $966.0 million at June 30, 2023, versus $851.9 million at fiscal year end 2022, a 13.39% increase year over year. Draws on existing approved bonds, or loans for which a liability is not recognized until utilized, in the amount of $153.7 million, were offset by payments on existing senior and subordinate debt, in the amount of $39.6 million. Unamortized bond premium as of June 30, 2023, was $13.7 million versus $16.5 million at fiscal year end 2022.

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

HRSD's Outstanding Debt

(in thousands, excluding unamortized bond premiums)	2023	2022	2021
Senior revenue bonds	$ 165,093	$ 183,899	$ 198,670
Subordinate revenue bonds	800,930	668,031	616,533
Total outstanding debt	**$ 966,023**	**$ 851,930**	**$ 815,203**

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

Ratings Agency	Senior Debt	Subordinate Long-term	Subordinate Short-term
Standard & Poor's	AA+	AA+	A-1+
Fitch Ratings	AA+	AA	F1+
Moody's Investors Service	Aa1	Aa1	n/a

The development of HRSD's Capital Improvement Program and its related debt programs are governed by revenue Trust Agreements. The Senior Trust agreement requires the senior debt coverage to be 1.2 times maximum annual debt service and total debt service coverage of 1.0 times maximum annual debt service, both on a Generally Accepted Accounting Principles basis. The Amended and Subordinate Trust agreement was amended in 2016 to account for future Consent Decree expenses related to wet weather-related infrastructure improvements that HRSD will not own: generally, these assets will be owned by the localities that HRSD serves. In the Amended Trust, Operating Expenses were redefined as shown below for the purposes of calculating an "Adjusted" debt service coverage on a cash basis:

> "Operating Expenses" as defined by the Enabling Act and as used in the Senior Trust Agreement, Operating Expenses includes the cost of maintaining, repairing and operating such system or systems or sewer improvements and to provide such reserves therefore as may be provided in the resolution providing for the issuance or such revenue bonds or in the trust agreement securing the same. As defined in the Subordinate Trust Agreement, Operating Expenses 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 shall exclude allowance for depreciation and amortization and expenditures for extraordinary maintenance or repair or improvements. Operating Expenses shall also 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.

The Amended and Subordinate Trust agreement requires total debt service coverage to be 1.2 times current year debt service on an Adjusted basis. HRSD's Financial Policy and operating and capital improvement plans were developed with the intent to maintain coverage ratios in excess of these requirements. HRSD's Financial Policy requires senior debt service coverage to be 1.5 times and total debt service coverage to be 1.4 times.

	Senior Debt Service Coverage		Total Debt Service Coverage	
	GAAP	Adjusted	GAAP	Adjusted
Senior Trust Agreement	1.20x (MADS)	None	1.00x (MADS)	None
Amended Subordinate Trust Agreement	None	None	None	1.20x (Current Year)
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.

HRSD implemented a wastewater treatment rate increase for the 2023 fiscal year to fund its operations and capital investments. As HRSD continues to implement its $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/CFO, 1434 Air Rail Avenue, Virginia Beach, Virginia 23455.

STATEMENTS OF NET POSITION
AS OF JUNE 30, 2023 AND 2022

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES
(in thousands)

	2023	2022
CURRENT ASSETS		
Cash and cash equivalents	$ 148,295	$ 163,051
Cash and cash equivalents - restricted	33,830	33,134
Accounts receivable, net	60,081	59,493
Other current assets	3,029	2,860
TOTAL CURRENT ASSETS	245,235	258,538
NONCURRENT ASSETS		
Cash and cash equivalents	63,074	62,932
Inventory	26,005	25,297
	89,079	88,229
NET PROPERTY, PLANT AND EQUIPMENT		
Land	64,198	56,170
Treatment plants	1,474,641	1,464,740
Interceptor systems	793,863	754,692
Buildings	69,759	67,266
Small community facilities	26,094	25,936
Office equipment	45,353	45,353
Automotive	21,694	18,801
Other equipment	79,329	75,004
Software and intangible assets	40,155	40,074
	2,615,086	2,548,036
Less: Accumulated depreciation and amortization	1,242,983	1,188,514
	1,372,103	1,359,522
Construction in progress	640,248	355,586
NET PROPERTY, PLANT AND EQUIPMENT	2,012,351	1,715,108
TOTAL NONCURRENT ASSETS	2,101,430	1,803,337
TOTAL ASSETS	2,346,665	2,061,875
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on debt refunding, net	17,409	19,513
Differences between expected and actual experience:		
OPEB plans	8,582	6,518
Pension plan	127	261
Changes of assumptions:		
OPEB plans	215	208
Pension plan	4,064	7,406
Net difference between projected and actual earnings on:		
OPEB plans investments	3,037	4,778
Change in proportion, OPEB plans	54	75
Contributions subsequent to the measurement date:		
OPEB plans	442	411
Pension plan	3,592	3,441
TOTAL DEFERRED OUTFLOWS OF RESOURCES	37,522	42,611
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 2,384,187**	**$ 2,104,486**

See Accompanying Notes to Financial Statements

STATEMENTS OF NET POSITION
AS OF JUNE 30, 2023 AND 2022

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

(in thousands)

	2023	2022
CURRENT LIABILITIES		
Trade and contracts payable	$ 62,660	$ 53,237
Contract retention	17,105	5,859
Accrued salaries and wages	1,393	3,536
Current portion of bonds payable	45,561	42,609
Variable rate demand bonds	50,000	50,000
Notes payable	68,580	33,721
Current portion of compensated absences	8,611	6,495
Debt interest payable	8,492	8,602
Other liabilities	8,823	7,611
TOTAL CURRENT LIABILITIES	271,225	211,670
LONG-TERM LIABILITIES		
Compensated absences	1,484	1,723
Net OPEB liability	13,221	16,523
Net pension liability	18,337	2,163
Bonds payable	884,181	775,863
TOTAL LONG-TERM LIABILITIES	917,223	796,272
TOTAL LIABILITIES	1,188,448	1,007,942
DEFERRED INFLOWS OF RESOURCES		
Differences between expected and actual experience:		
OPEB plans	4,101	4,739
Pension plan	459	761
Changes of assumptions, OPEB plans	5,925	1,663
Net difference between projected and actual earnings on:		
OPEB plans investments	219	843
Pension plan investments	7,857	29,013
Change in proportion, OPEB plans	156	41
TOTAL DEFERRED INFLOWS OF RESOURCES	18,717	37,060
NET POSITION		
Net investment in capital assets	981,437	832,427
Restricted for debt service	33,830	33,134
Unrestricted	161,755	193,923
TOTAL NET POSITION	1,177,022	1,059,484
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	**$ 2,384,187**	**$ 2,104,486**

See Accompanying Notes to Financial Statements

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2023 and 2022

(in thousands)

	2023	2022
OPERATING REVENUES		
Wastewater treatment charges	$ 383,115	$ 352,414
Miscellaneous	4,820	5,532
TOTAL OPERATING REVENUES	387,935	357,946
OPERATING EXPENSES		
Wastewater treatment	149,532	134,135
General and administrative	53,995	45,673
Depreciation and amortization	54,469	54,357
TOTAL OPERATING EXPENSES	257,996	234,165
OPERATING INCOME	129,939	123,781
NON-OPERATING REVENUES (EXPENSES)		
Wastewater facility charges	7,293	7,072
Investment income	6,068	(1,651)
Bond interest subsidy	2,015	2,052
Bond issuance costs	(98)	(311)
Capital distributions to localities	(2,422)	(13)
Interest expense	(27,132)	(25,007)
NET NON-OPERATING EXPENSES	(14,276)	(17,858)
INCOME BEFORE CAPITAL CONTRIBUTIONS	115,663	105,923
CAPITAL CONTRIBUTIONS		
State capital grants received	234	200
Other capital contributions	1,641	2,537
CAPITAL CONTRIBUTIONS	1,875	2,737
CHANGE IN NET POSITION	117,538	108,660
TOTAL NET POSITION - Beginning	1,059,484	950,824
TOTAL NET POSITION - Ending	**$ 1,177,022**	**$ 1,059,484**

See Accompanying Notes to Financial Statements

STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2023 and 2022

(in thousands)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 379,539	$ 337,432
Cash received from CARES and ARPA	-	11,409
Other operating revenues	4,820	5,532
Cash payments to suppliers for goods and services	(138,487)	(120,651)
Cash payments to employees for services	(65,813)	(61,703)
Net cash provided by operating activities	180,059	172,019
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Capital distributions to localities	(2,422)	(13)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Wastewater facility charges	7,293	7,072
Acquisition and construction of property, plant and equipment	(329,699)	(173,292)
Proceeds from capital debt	188,540	90,377
Bond interest subsidy	2,015	2,052
Principal paid on capital debt	(39,588)	(35,228)
State capital grants	234	-
Other capital contributions	1,641	2,737
Bond issuance costs	(98)	(311)
Fees paid on interim financing	(1,159)	(202)
Interest paid on capital debt	(26,802)	(25,790)
Net cash used in capital and related financing activities	(197,623)	(132,585)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends on investments	6,068	(1,651)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS AND CASH AND CASH EQUIVALENTS - RESTRICTED	(13,918)	37,770
CASH AND CASH EQUIVALENTS, AND CASH AND CASH EQUIVALENTS - RESTRICTED, AT BEGINNING OF YEAR	259,117	221,347
CASH AND CASH EQUIVALENTS, AND CASH AND CASH EQUIVALENTS - RESTRICTED, AT END OF YEAR	**$ 245,199**	**$ 259,117**

Reconciliation of Operating Income to Net Cash Provided by Operating Activities	2023	2022
Operating income	$ 129,939	$ 123,781
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	54,469	54,357
(Increase) decrease in operating assets:		
Accounts receivable	(588)	(2,363)
Inventory	(708)	(265)
Other current assets	(169)	1,759
Increase (decrease) in operating liabilities:		
Trade and contracts payable	(1,343)	1,930
Accrued salaries and wages	(2,143)	141
Compensated absences	1,877	(686)
Other liabilities	1,212	(309)
OPEB liabilities and related deferred inflows and outflows	(527)	(870)
Pension liabilities and related deferred inflows and outflows	(1,960)	(5,456)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**$ 180,059**	**$ 172,019**
Noncash Capital and Related Financing Activities:		
Accrual for capital expenditures	$ 10,767	$ (5,749)
Amortization of premium	(2,822)	(3,261)
Amortization of deferred loss on bond refunding	2,104	2,204

See Accompanying Notes to Financial Statements

STATEMENTS OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2023 and 2022

(in thousands)

	OPEB (RHP) Trust Fund		Custodial Funds	
	2023	2022	2023	2022
ASSETS				
Cash and cash equivalents	$ 195	$ 4,189	$ 4	$ -
Investments at fair value				
Domestic equity	26,791	21,186	-	-
International equity	13,616	9,179	-	-
Fixed income	24,016	19,965	-	-
Other income	2,805	3,985	-	-
Real return	-	3,633	-	-
Total investments	67,228	57,948	-	-
TOTAL ASSETS	**$ 67,423**	**$ 62,137**	**$ 4**	**$ -**
NET POSITION				
Restricted for:				
Postretirement benefits for OPEB	67,423	62,137	-	-
Individuals, organizations and others	-	-	4	-
TOTAL NET POSITION	**$ 67,423**	**$ 62,137**	**$ 4**	**$ -**

See Accompanying Notes to Financial Statements

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2023 and 2022

(in thousands)

	OPEB (RHP) Trust Fund		Custodial Funds	
	2023	2022	2023	2022
ADDITIONS:				
Contribution from HRSD	$ 2,467	$ 2,260	$ -	$ -
Custodial Fund Additions	-	-	4	10,729
Net investment income (loss)	5,148	(9,730)	-	-
Total Additions (Deductions)	7,615	(7,470)	4	10,729
DEDUCTIONS:				
Benefit payments for participants	2,191	1,902	-	-
Investment related expenses	138	157		
Payments for customers	-	-	-	12,271
Total Deductions	2,329	2,059	-	12,271
Change in Net Position	5,286	(9,529)	4	(1,542)
Net Position - Beginning	62,137	71,666	-	1,542
NET POSITION - ENDING	**$ 67,423**	**$ 62,137**	**$ 4**	**$ -**

See Accompanying Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - GENERAL INFORMATION

Organization and Administration

The Hampton Roads Sanitation District (HRSD) was created by the Virginia General Assembly in 1940, as a political subdivision of the Commonwealth of Virginia (the Commonwealth), to construct, maintain, and operate a wastewater treatment system in the Hampton Roads area. The Hampton Roads Sanitation District Commission (the Commission) is HRSD's governing body and consists of eight members, appointed by the Governor. The Commission's functions were updated by Chapter 66 of the Acts of the Assembly of Virginia of 1960, as amended. The administration of HRSD is under the direction of a General Manager, supported by eight 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, 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, 2023 and 2022 include information on the Retiree Health Plan (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 Coronavirus Aid, Relief, and Economic Securities Act (CARES), and 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 the CARES and the ARPA are 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. Money market investments include the VACo/VML Virginia Investment Pool's (VIP) 1-3 Year High Quality Bond Fund and Stable NAV Liquidity Pool, which are recorded at amortized cost, which approximates fair value. See Note 3 and Note 13 for additional discussion of cash and cash equivalent and investment valuations.

Investments

Investments, which consist of U.S. government obligations including agencies, FDIC-guaranteed corporate notes, other corporate notes and bonds, and municipal bonds, are reported at fair value. HRSD's investment practices are governed by its formal investment policy. The HRSD Retiree Health Plan (RHP) investments consist of domestic equity, international equity, fixed income, other income, real return funds and money market instruments. See Notes 3 and 7 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 market value and consists primarily of operating and maintenance materials.

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 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 a deferred refunding, and deferred outflows of resources from pension and OPEB activities. The deferred outflows of resources relating to the deferred 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 expensed 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. For these employees, long-term disability (LTD) insurance is an optional employee paid benefit that replaces part of their income if the employee suffers a serious illness or injury and can't work for an extended period of time.

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 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, that 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 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 the 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 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.

New Accounting Pronouncement

HRSD implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs) effective July 1, 2022. The requirements of this Statement provides guidance on the accounting and financial reporting for SBITAs for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset-intangible asset- and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, included implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Upon review, HRSD concluded that SBITAs are immaterial and do not warrant disclosure.

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, 2023 and 2022, the carrying values of HRSD's deposits were $52,614,000 and $51,917,000. All of the bank balances at June 30, 2023 and 2022 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)	2023	2022
Current cash and cash equivalents:		
Cash deposits - unrestricted	$ 52,614	$ 51,917
VIP Stable NAV Liquidity - unrestricted	95,681	111,134
Total current cash and cash equivalents - unrestricted	148,295	163,051
VIP Stable NAV Liquidity - restricted	33,830	33,134
Noncurrent cash and cash equivalents:		
VIP 1-3 Year High Quality Bond Fund - unrestricted	63,074	62,932
Total cash and cash equivalents, and cash and cash equvalents - restricted	$ 245,199	$ 259,117
Total VIP Stable NAV Liquidity	$ 129,511	$ 144,268

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 formal investment policy.

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

(in thousands)	2023	2022
Domestic equity	$ 26,791	$ 21,186
International equity	13,616	9,179
Fixed income	24,016	19,965
Other income	2,805	3,985
Real return	-	3,633
Money market	195	4,189
Total investments, cash and cash equivalents	**$ 67,423**	**$ 62,137**

Fixed income investments had an average maturity of 8.2 years and 7.74 years as of June 30, 2023 and 2022, respectively. The average credit quality was AA as of June 30, 2023, which was an increase from the average credit quality of A as of June 30, 2022. 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. The Trust Department of the U.S. Bank held $67.06 million and $61.84 million in investments in the Trustee's name for HRSD at June 30, 2023 and 2022, respectively. Differences between value reported and U.S. Bank Trust valuation is a single security, Boyd Watterson. U.S. Bank Trust value is lagging as they update those funds when they receive notice.

NOTE 4 - ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

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

(in thousands)	2023	2022
Balance, beginning of year	$ 2,407	$ 2,684
Add: Current provision for uncollectible accounts	2,819	1,210
Less: Charge-off of uncollectible accounts	(2,670)	(1,487)
Balance, end of year	$ 2,556	$ 2,407

HRSD's collection ratios for the years ended June 30, 2023 and 2022 were 99.3% and 99.6%, respectively.

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

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

(in thousands)	Balance 2021	Additions	Transfers/ Retirements	Balance 2022	Additions	Transfers/ Retirements	Balance 2023
Non-Depreciable Capital Assets:							
Land	$ 43,658	$ 12,512	$ -	$ 56,170	$ 8,028	$ -	$ 64,198
Construction in progress	283,146	162,594	(90,154)	355,586	335,317	(50,655)	640,248
Depreciable Capital Assets:							
Treatment plants	1,460,238	4,502	-	1,464,740	9,901	-	1,474,641
Interceptor systems	725,600	29,092	-	754,692	39,171	-	793,863
Buildings	48,236	19,030	-	67,266	2,493	-	69,759
Small community facilities	25,625	311	-	25,936	158	-	26,094
Office equipment	45,049	304	-	45,353	-	-	45,353
Automotive	19,933	328	(1,460)	18,801	2,893	-	21,694
Other equipment	48,899	26,105	-	75,004	4,325	-	79,329
Software and intangible assets	40,074	-	-	40,074	81	-	40,155
Total	$ 2,740,458	$ 254,778	$ (91,614)	$ 2,903,622	$ 402,367	$ (50,655)	$ 3,255,334
Less Accumulated Depreciation and Amortization:							
Treatment plants	$ (764,062)	$ (34,463)	$ -	$ (798,525)	$ (31,902)	$ -	$ (830,427)
Interceptor systems	(203,200)	(14,061)	-	(217,261)	(14,686)	-	(231,947)
Buildings	(22,215)	(1,498)	-	(23,713)	(2,024)	-	(25,737)
Small community facilities	(9,502)	(552)	-	(10,054)	(566)	-	(10,620)
Office equipment	(44,261)	(305)	-	(44,566)	(218)	-	(44,784)
Automotive	(18,218)	(675)	1,460	(17,433)	(780)	-	(18,213)
Other equipment	(34,900)	(1,988)	-	(36,888)	(4,283)	-	(41,171)
Software and intangible assets -amortization	(39,259)	(815)	-	(40,074)	(10)	-	(40,084)
Total	(1,135,617)	(54,357)	1,460	(1,188,514)	(54,469)	-	(1,242,983)
Net Property, Plant and Equipment	$ 1,604,841	$ 200,421	$ (90,154)	$ 1,715,108	$ 347,898	$ (50,655)	$ 2,012,351

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 2021	Earned	Taken	Balance 2022	Earned	Taken	Balance 2023
Annual leave	$ 5,663	$ 2,645	$ (3,011)	$ 5,297	$ 3,348	$ (3,005)	$ 5,640
Sick leave	2,864	1,263	(1,658)	2,469	2,240	(1,665)	3,044
Paid time off	377	1,901	(1,826)	452	3,299	(2,340)	1,411
Total	$ 8,904	$ 5,809	$ (6,495)	$ 8,218	$ 8,887	$ (7,010)	$ 10,095
Current liability	$ 5,765			$ 6,495			$ 8,611
Long-term liability	$ 3,139			$ 1,723			$ 1,484

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 market 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 VRS employer 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 participating political subdivisions are automatically covered by the VRS GLI upon employment. This plan is administered by the VRS, along with pensions and other OBEB plans.

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 GLI 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 GLI 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 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 the total life insurance benefit value at retirement.

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

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the GLI Program. The minimum benefit was set at $8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for inflation was $8,722 as of June 30, 2022.

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

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

	2022	2021
Beneficiaries currently receiving benefit payments	240	149
Active employees	702	743
Total	942	892

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

As of the June 30, 2021 and 2020 actuarial valuation dates the following employees were covered by the benefit terms of the HIC:

	2021	2020
Inactive members or their beneficiaries currently receiving benefit payments	267	261
Active employees	816	806
Total	1,083	1,067

Contributions

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 $2,467,000 and $2,260,000 to the RHP for the years ended June 30, 2023 and 2022, respectively.

The GLI 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, 2023 was 0.54% 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, 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 $318,000 and $296,000 for the years ended June 30, 2023 and June 30, 2022, respectively.

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 year ended 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 $124,000 and $115,000 for the years ended June 30,2023, and June 30, 2022, respectively.

RHP OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to RHP OPEB

HRSD recognized RHP OPEB expense of $2,274,000 and $1,569,000 for the years ended June 30, 2023 and 2022, 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, 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	$ 11,350	$ 9,557
Year ended June 30, 2022:		
Differences between expected and actual experience	$ 6,129	$ 4,716
Changes in assumptions	-	1,239
Net diff between projected and actual earnings on plan investments	4,778	-
Total	$ 10,907	$ 5,955

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

(in thousands) Years Ended June 30	2023	2022
2023	$ -	$ 566
2024	114	606
2025	149	641
2026	2,306	2,798
2027	(533)	(42)
2028	(439)	-
Thereafter	196	383
	$ 1,793	$ 4,952

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2023 and 2022, HRSD reported liabilities of $3,035,000 and $3,058,000, respectively, for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liabilities were measured as of June 30, 2022 and June 30, 2021 and the total GLI OPEB liabilities used to calculate the Net GLI OPEB Liability were determined by actuarial valuations as of those dates. The covered employer's proportion of the Net GLI OPEB Liability was based on HRSD's actuarially determined employer contributions to the Group Life Insurance Program for the years ended June 30, 2022 and 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022 and 2021, HRSD's proportion was 0.2521% and 0.2626%, respectively. For the years ended June 30, 2023 and 2022, HRSD recognized GLI OPEB expenses of $86,000 and $135,000, 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, 2023 and 2022, 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, 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	$ 725	$ 764
Year ended June 30, 2022:		
Differences between expected and actual experience	$ 349	$ 23
Net diff bet projected and actual earnings on program investments	-	730
Change in assumptions	168	418
Changes in proportion	75	41
Employer contributions subsequent to the measurement date	296	-
Total	$ 888	$ 1,212

HRSD reported $318,000 and $296,000 as of June 30, 2023 and 2022, 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, 2024 and 2023, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

(in thousands) Years ended June 30	2023	2022
2023	$ -	(141)
2024	(67)	(109)
2025	(71)	(113)
2026	(177)	(223)
2027	5	(34)
2028	(47)	-
	$ (357)	(620)

HIC OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC OPEB

For the years ended June 30, 2023 and 2022, HRSD recognized HIC Program OPEB expense of $96,000 and $95,000, respectively. HRSD reported deferred outflows of resources and deferred inflows of resources related to the Political Subdivision HIC Program from the following sources:

(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	$ 255	$ 80
Year ended June 30, 2022:		
Differences between expected and actual experience	$ 40	$ -
Net diff bet projected and actual earnings on program investments	-	113
Change in assumptions	40	6
Employer contributions subsequent to the measurement date	115	-
Total	$ 195	$ 119

HRSD reported $124,000 for FY 2023 and $115,000 for FY 2022 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, 2024 and 2023, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

(in thousands) Years ended June 30	2023	2022
2023	$ -	(8)
2024	13	(6)
2025	13	(7)
2026	(2)	(22)
2027	24	4
2028	3	-
	$ 51	$ (39)

Combined OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to RHP, GLI and HIC OPEB

For the years ended June 30, 2023 and 2022, 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, 2023:		
Differences between expected and actual experience	$ 8,582	$ 4,101
Net diff bet projected and actual earnings on program investments	3,037	219
Changes in proportion	54	156
Change in assumptions	215	5,925
Employer contributions subsequent to the measurement date	442	-
Total	$ 12,330	$ 10,401
Year ended June 30, 2022:		
Differences between expected and actual experience	$ 6,518	$ 4,739
Net diff bet projected and actual earnings on program investments	4,778	843
Change in assumptions	75	41
Changes in proportion	208	1,663
Employer contributions subsequent to the measurement date	411	-
Total	$ 11,990	$ 7,286

HRSD reported $442,000 for FY 2023 and $411,000 for FY 2022 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, 2024 and 2023, 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	2023	2022
2023	$ -	$ 417
2024	60	491
2025	91	521
2026	2,127	2,553
2027	(504)	(72)
2028	(483)	383
Thereafter	196	-
	$ 1,487	$ 4,293

HRSD reported $2,456,000 for FY 2023 and $1,799,000 for FY 2022 as combined OPEB expenses related to the RHP, GI and HIC OPEB plans as follows:

(in thousands) Years ended June 30	2023	2022
RHP	2,274	1,569
GLI	86	135
HIC	96	95
Total OPEB	$ 2,456	$ 1,799

Actuarial Methods and Assumptions

The total RHP OPEB liabilities were based on actuarial valuations as of June 30, 2022 and 2021, 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, 2023 and 2022.

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.
Year Ended June 30, 2022:	
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 MP2019 Mortality Improvement Scale.
Disabled Retirees	Pub-2010 General Disabled Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale.
Active Retirees	Pub-2010 General Employees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale.

The total GLI and HIC OPEB liabilities were based on actuarial valuations as of June 30, 2021, 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, 2022:

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 and 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 3years.
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.

Year Ended June 30, 2021:	
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 and HIC are as follows:

Pre-Retirement:	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.
Post-Retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
Post-Disablement:	RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.
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, 2021, 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, 2019. 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

Long-Term Expected Rate of Return

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 formal investment 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, 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.*

Year Ended June 30, 2022

Asset Class (Strategy)	Target Allocation	Geometric Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Domestic Equity	39.00%	7.60%	2.96%
International Developed Equity	15.00%	7.30%	1.10%
International Emerging Markets Equity	6.00%	7.70%	0.46%
Core Fixed	20.00%	3.90%	0.78%
Investment Grade Corporate Debt	10.00%	3.90%	0.39%
Emerging Markets Debt	5.00%	4.90%	0.25%
High Yield	5.00%	5.00%	0.25%
Total	100.00%		6.19%
		Inflation	2.50%
		* Expected arithmetic nominal return	8.69%

** The above allocation provides a one-year return of 8.69%. 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.*

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, 2023

Asset Class (Strategy)	Target 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 2.5%.*

Year Ended June 30, 2022

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return *
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP-Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		** Expected arithmetic nominal return	7.39%

** The above allocation provides a one-year return of 7.39%. 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 2.5%.*

Discount Rates

The discount rate used to measure the total OPEB liability for the RHP, as of June 30, 2023 and 2022, 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.

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, 2022 and 2021, 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 100% of the actuarially determined contribution rate. From July 1, 2021 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 (Asset)

HRSD's net RHP OPEB liability (Asset) was measured as of June 30, 2023 and 2022, using a June 30, 2022 and 2021 valuation, which has been rolled forward to the June 30, 2023 and 2022 measurement dates.

RHP (in thousands)	Total RHP OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net RHP OPEB Liability (Asset) (a) - (b)
RHP OPEB Liability (Asset) Balances at June 30, 2021	**$ 68,653**	**$ 71,666**	**$ (3,013)**
Changes for the year - Increase (Decrease):			
Service cost	1,435	-	1,435
Interest	4,052	-	4,052
Difference between expected and actual experience	2,303	-	2,303
Contributions - employer	-	2,260	(2,260)
Net investment income	-	(9,887)	9,887
Benefit payments, including refunds of employee contributions	(1,902)	(1,902)	-
Net changes	5,888	(9,529)	15,417
RHP OPEB Liability Balances at June 30, 2022	**$ 74,541**	**$ 62,137**	**$ 12,404**
Changes for the year - Increase (Decrease):			
Service cost	1,534	-	1,534
Interest	4,398	-	4,398
Changes of assumptions	(5,285)	-	(5,285)
Difference between expected and actual experience	3,617	-	3,617
Contributions - employer	-	2,467	(2,467)
Net investment income	-	5,148	(5,148)
Benefit payments, including refunds of employee contributions	(2,329)	(2,329)	-
Net changes	1,935	5,286	(3,351)
RHP OPEB Liability Balances at June 30, 2023	**$ 76,476**	**$ 67,423**	**$ 9,053**

RHP fiduciary net position as a percentage of the total RHP OPEB liability was 88.16% and 83.36% as of June 30, 2023 and 2022, respectively.

The 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, 2022 and 2021, net OPEB liability amounts for the GLI Program are as follows:

GLI

(in thousands)	2022	2021
Total GLI OPEB Liability	$ 3,672,085	$ 3,577,346
Plan Fiduciary Net Position	2,467,989	2,413,074
Net GLI OPEB Liability	$ 1,204,096	$ 1,164,272
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability:	67.21%	67.45%

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 GAAP in VRS's notes to the financial statements and required supplementary information.

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

HIC (in thousands)	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (a) - (b)
HIC OPEB Liability Balances at June 30, 2020	**$ 2,145**	**$ 923**	**$ 1,222**
Changes for the year - Increase (Decrease):			
Service cost	28	-	28
Interest	140	-	140
Changes of assumptions	15	-	15
Difference between expected and actual experience	5	-	5
Contributions - employer	-	114	(114)
Net investment income	-	238	(238)
Benefit payments, including refunds of employee contributions	(137)	(137)	-
Administrative expense	-	(3)	3
Net changes	51	212	(161)
HIC OPEB Liability Balances at June 30, 2021	**$ 2,196**	**$ 1,135**	**$ 1,061**
Changes for the year - Increase (Decrease):			
Service cost	22	-	22
Interest	145	-	145
Changes of assumptions	88	-	88
Difference between expected and actual experience	(59)	-	(59)
Contributions - employer	-	115	(115)
Net investment income	-	2	(2)
Benefit payments, including refunds of employee contributions	(151)	(151)	-
Administrative expense	-	(2)	2
Other changes	-	9	(9)
Net changes	45	(27)	72
HIC OPEB Liability Balances at June 30, 2022	**$ 2,241**	**$ 1,108**	**$ 1,133**

Sensitivity of the Net OPEB Liabilities to Changes in the Discount Rate and Healthcare Cost Trend Rate

The following table presents the net RHP OPEB liability (asset) if it is calculated using a discount rate that is one percentage point lower (5.00%) or one percentage point higher (7.00%) than the current discount rate:

RHP Discount Rate	1% Decrease (5.00%)	Current Discount Rate (6.0%)	1% Increase (7.00%)
Net RHP OPEB Liability/(Asset) (in thousands)			
Year ended June 30, 2023	$ 20,800	$ 9,053	$ (435)
Year ended June 30, 2022	25,533	12,404	1,989

The following table presents the net RHP OPEB liability (asset) if it is calculated using a healthcare cost trend rate that is one percentage point lower (3.00%) or one percentage point higher (5.00%) than the current healthcare cost trend rate:

RHP Ultimate Trend	1% Decrease (3.00%)	Healthcare Cost Trend Rate (4.00%)	1% Increase (5.00%)
Net RHP OPEB Liability/(Asset) (in thousands)			
Year ended June 30, 2023	$ (1,772)	$ 9,053	$ 22,739
Year ended June 30, 2022	491	12,404	27,823

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 (5.75%) or one percentage point higher (7.75%) than the current rate:

GLI Discount Rate	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
GLI Net OPEB Liability (in thousands)			
Year ended June 30, 2023	$ 4,417	$ 3,035	$ 1,919
Year ended June 30, 2022	4,467	3,058	1,919

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 (5.75%) or one percentage point higher (7.75%) than the current rate:

HIC Discount Rate	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
HIC Net OPEB Liability (in thousands)			
Year ended June 30, 2023	$ 1,373	$ 1,133	$ 929
Year ended June 30, 2022	1,300	1,061	858

GLI Fiduciary Net Position and HIC Plan Data

Information about the VRS Political Subdivision Health Insurance Credit Program and Group Life Insurance Program's Fiduciary Net Position are available in the separately issued VRS 2022 *Annual Comprehensive Financial Report*. A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2022-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

Plan Description

HRSD employees participate in an agent multiple-employer defined benefit pension plan administered by VRS. All full time, salaried permanent employees of HRSD are automatically covered by the Plan upon employment. 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.

VRS administers three different benefit structures for covered employees – Plan 1, Plan 2 and the Hybrid Retirement Plan (HRP). The specific information for each plan is set out 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 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, and they were not vested as of January 1, 2013. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

- The Hybrid Retirement Plan (HRP) combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window from January 1 through April 30, 2014. The employee's retirement benefit is funded through mandatory and voluntary contributions made by the employee and HRSD to both the defined benefit and the defined contribution components of the plan. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

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

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

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

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

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2021 Annual Report. A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2021-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, 2021 and 2020 actuarial valuation dates, the following employees were covered by the benefit terms of the pension plan:

	2021	2020
Number of:		
Retirees and Beneficiaries	434	418
Inactive Members Vested	112	108
Inactive Members Nonvested	161	160
Active Elsewhere in VRS	78	79
Active Employees	816	806
Total	1,601	1,571

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, 2023 was 7.06% 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 $3,592,000 and $3,441,000 for the years ended June 30, 2023 and 2022, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GAAP, less that employer's fiduciary net position. For HRSD, the net pension liability was measured as of June 30,2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021, rolled forward to the measurement date of June 30, 2022.

Actuarial Methods and Assumptions

The total pension liability for employees in HRSD's retirement plan was based on actuarial valuations as of June 30, 2021, 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, 2022.

Year Ended June 30, 2022	
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

The actuarial assumptions used in the June 30, 2021, 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, 2019. 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

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:

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, 2021, actuarial valuations, whichever was greater. From July 1, 2022, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

(in thousands)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Pension Liability Balances at June 30, 2020	**$ 254,451**	**$ 215,335**	**$ 39,116**
Changes for the year - Increase (Decrease):			
Service cost	4,264	-	4,264
Interest	16,787	-	16,787
Changes of assumptions	6,599	-	6,599
Difference between expected and actual experience	(266)	-	(266)
Contributions - employer	-	3,453	(3,453)
Contributions - employee	-	2,569	(2,569)
Net investment income	-	58,456	(58,456)
Benefit payments, including refunds of employee contributions	(11,512)	(11,512)	-
Administrative expense	-	(147)	147
Other changes	-	6	(6)
Net changes	15,872	52,825	(36,953)
Pension Liability Balances at June 30, 2021	**$ 270,323**	**$ 268,160**	**$ 2,163**
Changes for the year - Increase (Decrease):			
Service cost	3,833	-	3,833
Interest	18,012	-	18,012
Difference between expected and actual experience	44	-	44
Contributions - employer	-	3,440	(3,440)
Contributions - employee	-	2,578	(2,578)
Net investment income	-	(140)	140
Benefit payments, including refunds of employee contributions	(14,637)	(14,637)	-
Administrative expense	-	(169)	169
Other changes	-	6	(6)
Net changes	7,252	(8,922)	16,174
Pension Liability Balances at June 30, 2022	**$ 277,575**	**$ 259,238**	**$ 18,337**

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

The following presents HRSD's net pension liability 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

Net Pension Liability (in thousands)	1% Decrease	Current Discount	1% Increase
Pension Discount Rate	(5.75%)	(6.75%)	(7.75%)
Year ended June 30, 2022	$ 57,843	$ 18,337	$ (13,498)
Year ended June 30, 2021	39,990	2,163	(28,835)

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

HRSD recognized pension expense/(income) of $1,631,000 and ($2,015,000) for the years ended June 30, 2023 and 2022, respectively. At June 30, 2023 and 2022, 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, 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	$ 7,783	$ 8,316
Year ended June 30, 2022:		
Differences between expected and actual experience	$ 261	$ 761
Changes of assumptions	7,406	-
Net diff bet projected and actual earnings on program investments	-	29,013
Employer contributions subsequent to the measurement date	3,441	-
Total	$ 11,108	$ 29,774

HRSD reported $3,592,000 and $3,441,000 as of June 30, 2023 and 2022, 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, 2024 and 2023, 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	2023	2022
2023	$ -	(3,594)
2024	(580)	(4,180)
2025	(1,909)	(5,510)
2026	(5,224)	(8,823)
2027	3,588	-
	$ (4,125)	$ (22,107)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2022 Annual Report. A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2022-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, the District entered into a Credit Agreement with Bank of America, N.A. (the "Bank") to provide a revolving line of credit to provide interim financing or refinancing for costs of projects. Since that time, the Credit Agreement has been extended and amended, most recently as of June 30, 2022. As of June 30, 2023 and 2022, the District's revolving line of credit had a maximum commitment amount of $100,000,000. The June 30, 2022 line of credit matures June 30, 2025. The District may request the Bank to increase the maximum commitment on the line of credit to up to $300,000,000, subject to the Bank's approval, in its sole discretion. The District's obligation to make payments under the Credit Agreement is a Junior Obligation within the meaning of the District's Trust Agreement, dated as of October 1, 2011, as amended and supplemented, between the District and The Bank of New York Mellon Trust Company, N.A., as trustee, and is expressly subordinate and junior to the Lien on Net Revenues Available for Debt Service (as defined in the Trust Agreement).

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 Bloomberg Short-Term Bank Yield (BSBY) rate (for a one-month, three-month, or six-month period) plus 0.39% per annum. Taxable projects are payable at an interest rate equal to 100% of the BSBY rate plus 0.50% per annum.

At June 30, 2023 and 2022, HRSD owed $68,580,000 and $33,721,000 against the line of credit, respectively. At June 30, 2023 and 2022, HRSD had $31,420,000 and $66,279,000, respectively, available under the line of credit agreement. 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, 2023 and 2022 was $575,134,000 and $601,587,000, respectively.

Included in the total outstanding bond balance, HRSD has $50 million outstanding in subordinate 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, 2023, the bonds have been successfully remarketed by the Remarketing Agent. The interest rate for the bonds at June 30, 2023 and 2022 was 2.21% and 0.67%, respectively. The 2023 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 30,2023 and 2022, was $324,428,000 and $266,885,000, 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%. The remaining balance of the MFA, $306,284,000, is planned to close in FY26. A liability is recognized when funds are drawn to reimburse HRSD for eligible expenses. During fiscal year 2023, HRSD has only drawn on WIFIA Tranche 1. The principal outstanding balance as of June 30, 2023, was $80,180,000. There was no outstanding balance as of June 30, 2022.

All bonds are secured by the revenues of HRSD and are payable over the duration of that issue. A summary of activity for the years ended June 30:

(in thousands)	Balance at 6/30/2021	Additions	Deductions	Balance at 6/30/2022	Additions	Deductions	Balance at 6/30/2023	Due within One year
Bonds								
Series-2019A	$ 202,690	$ -	$ (3,225)	$ 199,465	$ -	$ (3,275)	$ 196,190	$ 3,335
Series-2018A	19,450	-	(1,090)	18,360	-	(1,145)	17,215	1,205
Series-2017A	72,055	-	-	72,055	-	-	72,055	-
Series-2016A	92,635	-	(5,875)	86,760	-	(3,080)	83,680	3,235
Series-2016B VR	50,000	-	-	50,000	-	-	50,000	50,000
Series-2014A	58,460	-	(8,070)	50,390	-	(11,825)	38,565	12,430
Series-2009B	112,185	-	(4,170)	108,015	-	(4,305)	103,710	4,445
WIFIA								
WIFIA-Tranche1	-	-	-	-	80,180	-	80,180	-
VRA								
Senior bonds	28,025	-	(2,531)	25,494	-	(2,676)	22,818	2,725
Subordinate bonds	179,703	71,955	(10,267)	241,391	73,501	(13,282)	301,610	15,823
	815,203	71,955	(35,228)	851,930	153,681	(39,588)	966,023	93,198
Unamortized bond premiums	19,803	-	(3,261)	16,542	-	(2,822)	13,719	2,363
	835,006	71,955	(38,489)	868,472	153,681	(42,410)	979,742	95,561
Notes Payable	15,299	18,422	-	33,721	34,859	-	68,580	68,580
Total	$ 850,305	$ 90,377	$ (38,489)	$ 902,193	$ 188,540	$ (42,410)	$ 1,048,322	$ 164,141

Senior bonds outstanding at June 30, 2023:

(in thousands)	Issue Amount	Principal Outstanding Total	Current	Long-Term	Interest to Maturity	Interest Rates	Duration of Issue	Final Maturity
Series-2014A	$ 111,345	$ 38,565	$ 12,430	$ 26,135	$ 2,924	5.00%	15 years	July 1, 2025
Series-2009B	134,725	103,710	4,445	99,265	57,086	5.81% - 5.87%	30 years	November 1, 2039
VRA - Metering	13,431	6,126	770	5,356	450	1.80%	20 years	September 1, 2030
VRA - WTP	19,395	9,219	1,081	8,138	721	1.80%	20 years	March 1, 2031
VRA - NTP	9,989	4,760	559	4,201	372	1.80%	20 years	March 1, 2031
VRA - JRTP	5,727	2,713	315	2,398	242	2.05%	20 years	March 1, 2031
Total		$ 165,093	$ 19,600	$ 145,493	$ 61,795			

Maturities of senior bond principal and interest as of June 30, 2023:

(in thousands) June 30,	Principal	Interest
2024	$ 19,600	$ 7,942
2025	20,450	7,007
2026	20,671	6,030
2027	7,843	5,368
2028	8,086	5,021
2029 - 2033	37,588	19,541
2034 - 2038	34,925	9,947
2039 - 2043	15,930	939
	$ 165,093	$ 61,795

Subordinate revenue bonds outstanding at June 30, 2023:

(in thousands)	Issue Amount	Principal Outstanding Total	Current	Long-term	Interest to Maturity	Interest Rates	Duration of Issue	Final Maturity
Series-2019A	$ 205,675	$ 196,190	$ 3,335	$ 192,855	$ 47,527	1.81% - 2.78%	20 Years	February 1, 2039
Series-2018A	63,185	17,215	1,205	16,010	5,162	5.00%	15 years	October 1, 2033
Series-2017A	83,485	72,055	-	72,055	36,534	3.50% - 5.00%	26 years	October 1, 2043
Series-2016A	246,845	83,680	3,235	80,445	25,033	3.00% - 5.00%	20 years	August 1, 2036
VRA - AB Generator	1,235	229	75	154	8	2.00%	20 years	April 1, 2026
VRA - Atlantic Expan	7,340	1,792	441	1,351	41	1.00%	20 years	February 1, 2027
VRA - Ches-Eliz Expan	40,330	9,790	2,411	7,379	222	1.00%	20 years	June 1, 2027
VRA - Williamsburg PS	1,605	437	95	342	11	1.00%	20 years	July 1, 2027
VRA - York River Expan	29,683	14,182	1,610	12,572	1,695	2.72%	20 years	March 1, 2031
VRA - BHTP	7,584	3,710	404	3,306	351	2.05%	20 years	September 1, 2031
VRA - ABTP	50,000	27,141	2,616	24,525	2,867	2.05%	20 years	September 1, 2032
VRA - Atlantic	6,318	3,592	341	3,251	221	1.15%	20 years	February 1, 2033
VRA - Huxley	3,868	3,500	183	3,317	386	1.20%	20 years	August 1, 2040
VRA - TP Dewatering	3,498	3,165	164	3,001	352	1.20%	20 years	October 1, 2040
VRA - BHTP Switchgear	7,619	6,871	384	6,487	1,069	1.85%	20 years	December 1, 2040
VRA - Deep Creek IFM	4,989	4,529	234	4,295	506	1.20%	20 years	December 1, 2040
VRA - Ferguson	866	736	31	705	205	2.70%	25 years	March 1, 2042
VRA - Group Loan	100,000	97,692	4,629	93,063	11,342	1.15%	22 years	March 1, 2042
VRA - Rodman	1,096	923	38	885	224	2.25%	25 years	June 1, 2043
VRA - ES*	-	18,008	-	18,008	3,862	1.30%	20 years	October 1, 2043
VRA - 2022 Projects*	-	40,868	-	40,868	12,064	1.30%	20 years	December 1, 2043
VRA - Lucas	2,949	2,593	93	2,500	811	2.65%	27 years	October 1, 2044
VRA - ATP	57,149	54,463	1,836	52,627	15,639	2.25%	30 years	March 1, 2046
VRA - Orcutt Ave	7,968	7,389	238	7,151	2,584	2.85%	30 years	February 1, 2049
WIFIA-Tranche 1*	-	80,180	-	80,180	90,192	1.40%	40 years	April 1, 2060
Total Fixed Rate Bonds		750,930	23,598	727,332	258,908			
Series-2016B VR	50,000	50,000	50,000	-	25,610	Variable (2.21% at June 30,2023)	30 years	August 1, 2046
Total		$ 800,930	$ 73,598	$ 727,332	$ 284,518			

*These VRA and WIFIA bonds do not show an issue amount because the eligible loan balance has not been fully drawn as of June 30, 2023. The principal amounts reflected represent total draws as of June 30, 2023. The total eligible loan amount on these Subordinate VRA and WIFIA bonds is $325,866,000, of which $238,297,000 is available at June 30, 2023.

Maturities of subordinate bond principal and interest as of June 30, 2023:

(in thousands) June 30,	Principal	Interest
2024	$ 73,598	$ 21,460
2025	30,090	20,279
2026	31,141	20,680
2027	45,213	19,919
2028	42,956	18,832
2029 - 2033	226,050	76,683
2034 - 2038	188,625	45,605
2039 - 2043	72,362	27,296
2044 - 2048	16,136	19,679
2049 - 2053	74,759	14,085
	$ 800,930	$ 284,518

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, 2023, the following defeased bonds from advance refunding are still outstanding:

Defeased In	Original Issue	Amount	Redemption
2017	Series 2016A	$ 8,091,000	08/01/26
2019	Series 2014A	36,260,000	07/01/24
2019	Series 2016A	24,389,000	08/01/26
2019	Series 2016A	111,328,000	08/01/26
2019	Series 2017A	11,772,000	10/01/27
2019	Series 2018A	11,906,000	10/01/27
2019	Series 2018A	30,882,000	10/01/27
		$ 234,628,000	

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, 2023 and 2022, $33,830,000 and $33,134,000, 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, 2023 and 2022, $194,000 and $178,000, respectively, was contained in the unrestricted net position. HRSD was in compliance with all funding requirements of this reserve during the fiscal years ended June 30, 2023 and 2022.

Reserved for Construction. A reserve for the construction program is based on funds designated by HRSD's Commission for such purposes. At June 30, 2023 and 2022, $3,115,000 and $32,535,000, 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
2022	$ 4,777	$ 16,503	$ (16,644)	$ 4,636
2023	4,636	16,390	(15,929)	5,097

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 five times, most recently on February 8, 2022 (the "Amended Consent Decree"). A sixth amendment, which is expected to reorder and/or revise certain projects (with no change in overall program cost) is expected to be entered by December 31, 2023.

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

The Amended Consent Decree includes a schedule for wastewater system improvements that expressly accommodates HRSD's SWIFT program. That schedule requires that HRSD implement $200 million worth of High Priority Project sewer overflow control projects between 2020 and 2030 and then another $200 million in sewer overflow control projects between 2030 and 2040. These two sets of projects reflect further priority system improvements that HRSD is to implement along with the SWIFT project. The Amended Consent Decree gives HRSD until 2032 to invest $1.1 billion in the SWIFT program. Finally, the Amended Consent Decree provides that if HRSD 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, 2023, HRSD has outstanding commitments for contracts in progress of approximately $1.3 billion.

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.

Investments reported as cash and cash equivalents are not included of the fair value hierarchy and are valued using the following:

- The Virginia Investment Pool Trust Fund (the "Trust" or "VIP") is an Internal Revenue Code Section 115 governmental trust fund created under the Joint Exercise of Powers statue 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 $63.07 million (valued at amortized cost) and $62.93 million, as of June 30, 2023 and 2022, respectively. HRSD's total investment in VIP's Stable NAV Liquidity Pool (valued at amortized cost) was $129.51 million and $144.27 million as of June 30, 2023 and 2022, 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, 2023	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Investments by Fair Value Level				
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			
Fiduciary Net Position of HRSD's OPEB	$ 67,423			

Balance at June 30, 2022	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Investments by Fair Value Level				
Mutual Funds - Equity	$ 32,190	$ 25,807	$ 6,383	$ -
Mutual Funds - Fixed Income	21,204	3,836	17,368	-
Miscellaneous	1,811	-	1,811	-
Other Income	2,743	-	-	2,743
Total Investments by Fair Value Level	$ 57,948	$ 29,643	$ 25,562	$ 2,743
Cash Equivalents Measured at Net Asset Value				
First American Government Obligation	4,189			
Fiduciary Net Position of HRSD's OPEB	$ 62,137			

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, 2023 and 2022. The statements include information on HRSD's Retiree Health Plan (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 Retiree 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 $67.4 million and $62.1 million as of June 30, 2023 and 2022, respectively, which are restricted to providing postretirement benefits for plan participants.

Coronavirus Aid, Relief, and Economic Securities Act

In response to the COVID-19 pandemic disaster, the United States federal government enacted the Coronavirus Aid, Relief, and Economic Securities Act of 2020 (CARES Act) 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 the CARES Act, the Commonwealth of Virginia established a COVID-19 Utility Relief Program (Program) to provide direct assistance to utility customers with accounts over 30 days in arrears.

HRSD had no remaining federal CARES Act funds to be distributed in the fiscal year ended June 30, 2023. During the fiscal year ending June 30, 2022, HRSD applied $1.6 million funds received from federal CARES Act to the accounts of customers who qualified for relief under the terms of the Program. The City of Norfolk, Virginia, and James City Service Authority (the partner localities) served as pass-through agents for funds distributed through the Commonwealth of Virginia's State Corporation Commission.

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 year ended June 30, 2023, HRSD did not receive any additional federal SLFRF-ARPA funds but, in accordance with regulations, recorded funds that were returned to the fund, $4 thousand, that had been previously distributed. As of June 30, 2022, HRSD had applied $10.3 million to the accounts of customers who qualified for relief under the terms of the Program. HRSD returned $0.4 million of unexpended funds to the Commonwealth in a timely manner in accordance with SLFRF-ARPA Rules. The City of Norfolk, Virginia, (the partner locality) served as the pass-through agent for funds distributed through the Commonwealth of Virginia's State Corporation Commission.

NOTE 15 - SUBSEQUENT EVENTS

In October 2015, HRSD entered into a line of credit (LOC) agreement with a bank for $90 million. Pursuant to the First Amendment to the Second Amended and Restated Credit Agreement, dated August 31, 2023 the maximum outstanding authorization on the LOC was increased to $200 million. As of June 30, 2023, there was $68,580,000 outstanding on this credit facility.

Required Supplementary Information (Unaudited)

Cleaning wastewater every day for a better Bay.

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INDEX TO REQUIRED SUPPLEMENTARY INFORMATION

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

Contents **Page**

Unaudited – See accompanying independent auditors' report

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

(in thousands)	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service cost	$ 3,833	$ 4,264	$ 4,229	$ 3,946	$ 3,825	$ 4,145	$ 4,025	$ 4,115	$ 3,943
Interest	18,012	16,787	16,223	15,598	14,953	14,750	13,872	13,559	12,906
Changes of benefit terms	-	6,599	-	-	-	-	-	-	-
Changes in assumptions	-	-	-	7,378	-	(3,975)	-	-	-
Difference between expected and actual experience	44	(266)	(991)	760	(101)	(3,175)	2,980	(4,910)	-
Benefit payments, including refunds of employee contributions	(14,637)	(11,512)	(10,696)	(9,655)	(9,250)	(8,475)	(8,161)	(8,446)	(6,607)
Net change in total pension liability	7,252	15,872	8,765	18,027	9,427	3,270	12,716	4,318	10,242
Total pension liability - beginning	270,323	254,451	245,686	227,659	218,232	214,962	202,246	197,928	187,686
Total pension liability - ending (a)	$ 277,575	$ 270,323	$ 254,451	$ 245,686	$ 227,659	$ 218,232	$ 214,962	$ 202,246	$ 197,928
Plan fiduciary net position									
Contributions - employer	$ 3,440	$ 3,453	$ 2,897	$ 2,866	$ 3,710	$ 3,609	$ 4,083	$ 4,099	$ 4,114
Contributions - employee	2,578	2,569	2,538	2,468	2,424	2,351	2,286	2,314	2,267
Net investment income	(140)	58,456	4,115	13,739	14,451	21,526	3,062	7,807	23,313
Benefit payments, including refunds of employee contributions	(14,637)	(11,512)	(10,696)	(9,655)	(9,250)	(8,475)	(8,161)	(8,446)	(6,607)
Administrative expense	(169)	(147)	(142)	(137)	(125)	(124)	(109)	(107)	(125)
Other	6	6	(5)	(8)	(12)	(19)	(1)	(2)	1
Net change in plan fiduciary net position	(8,922)	52,825	(1,293)	9,273	11,198	18,868	1,160	5,665	22,963
Plan fiduciary net position - beginning	268,160	215,335	216,628	207,355	196,157	177,289	176,129	170,464	147,501
Plan fiduciary net position - ending (b)	$ 259,238	$ 268,160	$ 215,335	$ 216,628	$ 207,355	$ 196,157	$ 177,289	$ 176,129	$ 170,464
Net pension liability - ending (a) - (b)	$ 18,337	$ 2,163	$ 39,116	$ 29,058	$ 20,304	$ 22,075	$ 37,673	$ 26,117	$ 27,465
Plan fiduciary net position as a percentage of the total pension liability (b)/(a)	93.39%	99.20%	84.63%	88.17%	91.08%	89.88%	82.47%	87.09%	86.12%
Covered payroll (c)	$ 54,750	$ 54,107	$ 53,085	$ 51,336	$ 50,874	$ 49,286	$ 47,838	$ 47,674	$ 46,096
Net pension liability as a percentage of the covered payroll ((a)-(b))/(c)	33.49%	4.00%	73.69%	56.60%	39.91%	44.79%	78.75%	54.78%	59.58%

This schedule is presented 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.

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

SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH 2023

Date	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
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%
2014	4,107,000	4,107,000	-	46,096,000	8.91%

Notes to Required Supplementary Information For the Year Ended June 30, 2023:

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, 2021, 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, 2019. 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.

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

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

(in thousands)

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

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

Notes to Required Supplementary Information For the Year Ended June 30, 2023:

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 RHP OPEB CONTRIBUTIONS
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH 2023

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
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%
2014	2,244,000	2,244,000	-	46,096,000	4.87%

Notes to Required Supplementary Information For the Year Ended June 30, 2023:

Actuarial cost method	Entry age normal
Amortization method	Level percent of pay, closed
Amortization period	An experience gain/loss base is created each year and amortized over a 15 year period
Asset valuation	Smoothed market value with phase-in, using a 5-year smoothing period
Assumed rate of inflation	2.20%
Medical cost trend:	
Pre Medicare	5.3%, stable at 5.3% after 3 years and decreasing to 3.6% after 53 years
Post Medicare	5.3%, stable at 5.3% after 3 years and decreasing to 3.4% after 53 years
Salary increase rate	2.50%
Investments rate of return	6.00%
Mortality rates:	
Healthy	RP-2014 Mortality Table, Fully Generational, Projected with Scale MP-2014
Pre Medicare	5.3%, stable at 5.3% after 3 years and decreasing to 3.6% after 53 years

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

SCHEDULE OF EMPLOYER'S SHARE OF NET GLI OPEB LIABILITY AND RELATED RATIOS FOR THE MEASUREMENT DATES OF JUNE 30, 2017 THROUGH 2022

(in thousands)

	2022	2021	2020	2019	2018	2017
Employer's Proportion of the Net GLI OPEB Liability	0.2521%	0.2626%	0.25814%	0.26208%	0.26214%	0.26016%
Employer's Proportionate Share of the Net GLI OPEB Liability	$ 3,035	$ 3,058	$ 4,307	$ 4,265	$ 3,981	$ 3,915
Employer's Covered Payroll	$ 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	5.53%	5.64%	8.11%	8.30%	7.99%	8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	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.

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

SCHEDULE OF EMPLOYER GLI OPEB CONTRIBUTIONS
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH 2023

Date	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
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%
2014	240,000	217,000	23,000	45,283,000	0.53%

Notes to Required Supplementary Information For the Year Ended June 30, 2023:

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, 2021, 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, 2019. 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.

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

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

(in thousands)

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

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

SCHEDULE OF EMPLOYER HIC OPEB CONTRIBUTIONS
FOR THE YEARS ENDED JUNE 30, 2014 THROUGH 2023

Date	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
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%
2014	86,000	86,000	-	45,283,000	0.19%

Notes to Required Supplementary Information For the Year Ended June 30, 2023:

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, 2021, 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, 2019. 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.

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

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Other Supplementary Information

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INDEX TO OTHER SUPPLEMENTARY INFORMATION

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

Contents | **Page**

See accompanying independent auditors' report

COMBINING STATEMENTS OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2023 AND 2022

(in thousands)

	CARES Fund		ARPA Fund		Total Custodial Funds	
	2023	2022	2023	2022	2023	2022
ASSETS						
Cash and cash equivalents	$ -	$ -	$ 4	$ -	$ 4	$ -
NET POSITION						
Restricted for Individuals, Organizations and Others	$ -	$ -	$ 4	$ -	$ 4	$ -

COMBINING STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

(in thousands)

	CARES Fund		ARPA Fund		Total Custodial Funds	
	2023	2022	2023	2022	2023	2022
ADDITIONS						
Custodial Fund Additions	$ -	$ 51	$ 4	$ 10,678	$ 4	$ 10,729
Total Additions	-	51	4	10,678	4	10,729
DEDUCTIONS						
Custodial Funds Disbursed to Customers	-	1,593	-	10,265	-	11,858
Custodial Funds Refunded	-	-	-	413	-	413
Total Deductions	-	1,593	-	10,678	-	12,271
Net change fiduciary net position	-	(1,542)	4	-	4	(1,542)
Net position - beginning	-	1,542	-	-	-	1,542
NET POSITION - ENDING	$ -	$ -	$ 4	$ -	$ 4	$ -

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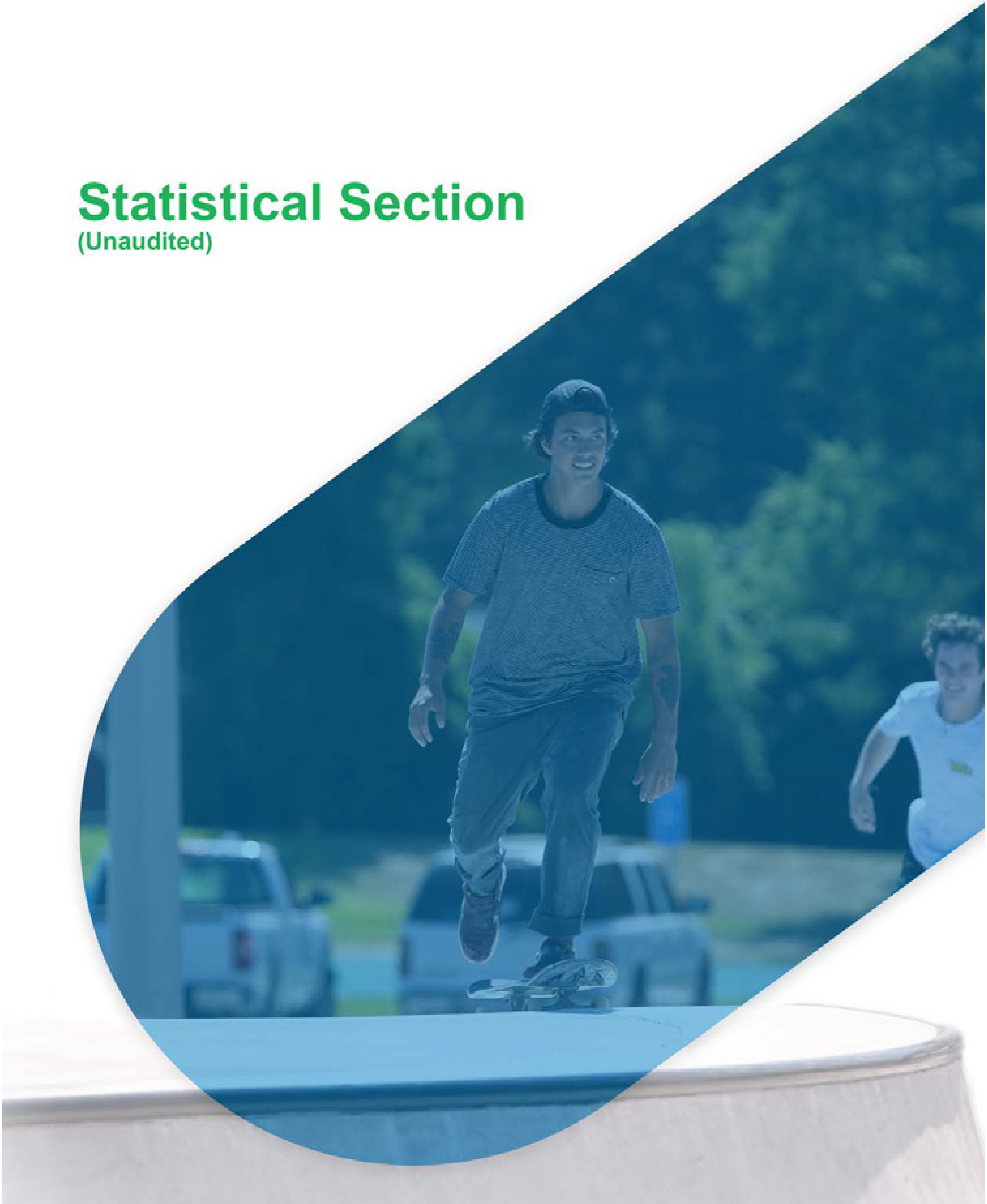
Statistical Section
(Unaudited)



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INDEX TO STATISTICAL SECTION

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

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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

Date of Incorporation - 1940		2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Area in Square Miles (1)		4,998	4,998	4,998	3,087	3,087	3,087	3,087	2,808	2,808	2,808
Present Service Area in Square Miles (1)		766	766	766	758	758	758	758	672	672	672
Treatment Plants (Major) (2)		8	9	9	9	9	9	9	9	9	9
Treatment Plant Capacity (MGD)						-	-	-	-	-	-
Army Base, Norfolk		18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0
Atlantic, Virginia Beach		54.0	54.0	54.0	54.0	54.0	54.0	54.0	54.0	54.0	54.0
Boat Harbor, Newport News		25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
Chesapeake-Elizabeth, Virginia Beach (2)		-	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	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	248.5	248.5	248.5	248.5	248.5	248.5	248.5	248.5	248.5
Small Communities Treatment Plants		8	8	7	7	7	7	5	4	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	-	-	-
Onancock, Accomack County(4)		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		1.750	1.750	1.000	1.000	1.000	1.000	0.875	0.825	0.825	0.830
Miles of Interceptor Systems		561	538	540	541	541	542	540	536	532	531
Interceptor Pump Stations		90	89	90	88	87	88	89	88	83	83
Small Communities Pump Stations		46	44	42	42	41	34	38	33	33	33
Maintenance Facilities		2	2	2	2	2	2	2	2	2	2
Number of Service Connections (in thousands)		486	484	481	478	476	473	470	467	465	462
Daily Average Treatment in Millions of Gallons		135	132	154	141	153	145	153	155	152	154
Bond Rating: Moody's	Senior	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aa2	Aa2	Aa2	Aa2
	Subordinate Long-term	Aa1	Aa1	Aa1	Aa1	Aa2	Aa2	-	-	-	-
Bond Rating: Standard & Poor's	Senior	AA+	AA+	AA+	AA+	AA+	AA+	AA+	AA+	AA+	AAA
	Subordinate Long-term	AA+	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+	A-1+
Bond Rating: Fitch	Senior	AA+	AA+	AA+	AA+	AA+	AA+	AA+	AA+	AA+	AA+
	Subordinate Long-term	AA	AA	AA	AA	AA	AA	AA	AA	AA	AA
	Subordinate Short-term	F1+	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.

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)

	2023	2022	2021	2020	2019
OPERATING REVENUES					
Wastewater treatment charges	$ 383,115	$ 352,414	$ 325,817	$ 318,585	$ 299,323
Miscellaneous	4,820	5,532	3,952	3,447	3,798
TOTAL OPERATING REVENUES	387,935	357,946	329,769	322,032	303,121
OPERATING EXPENSES					
Wastewater treatment	149,532	134,135	132,820	122,393	117,189
General and administrative	53,995	45,673	48,691	46,949	41,121
Depreciation	54,469	54,357	53,278	51,383	53,225
TOTAL OPERATING EXPENSES	257,996	234,165	234,789	220,725	211,535
OPERATING INCOME	129,939	123,781	94,980	101,307	91,586
NON-OPERATING REVENUES (EXPENSES)					
Wastewater facility charges	7,293	7,072	7,379	6,444	6,662
Investment income	6,068	(1,651)	471	5,876	8,719
Bond interest subsidy	2,015	2,052	2,167	2,205	2,308
Change in fair value of investments	-	-	-	-	-
Capital distributions to localities	(2,422)	(13)	(376)	-	-
Bond issuance costs	(98)	(311)	(682)	(1,290)	(53)
Disposal of capital assets	-	-	-	(739)	-
Interest expense	(27,132)	(25,007)	(25,339)	(26,179)	(27,964)
NET NON-OPERATING EXPENSES	(14,276)	(17,858)	(16,380)	(13,683)	(10,328)
INCOME BEFORE CONTRIBUTIONS	115,663	105,923	78,600	87,624	81,258
CAPITAL CONTRIBUTIONS					
State capital grants	234	200	-	-	2,444
Other capital contributions	1,641	2,537	2,317	578	374
CHANGE IN NET POSITION	$ 117,538	$ 108,660	$ 80,917	$ 88,202	$ 84,076
NET POSITION					
Net investment in capital assets	$ 981,437	$ 832,427	$ 776,253	$ 646,505	$ 494,779
Restricted for debt service	33,830	33,134	30,455	28,155	28,553
Restricted for debt service reserve fund	-	-	-	-	-
Unrestricted	161,755	193,923	144,116	195,247	258,373
TOTAL NET POSITION	$ 1,177,022	$ 1,059,484	$ 950,824	$ 869,907	$ 781,705
Net Revenues Available for Debt Service (GAAP)	197,264	185,300	157,593	165,925	162,447
Add Back: Operating Expenses on Improvements Not Owned by HRSD *	2,422	13	376	-	-
Net Revenues Available for Debt Service (Adjusted)	$ 199,686	$ 185,313	$ 157,969	$ 165,925	$ 162,447
DEBT SERVICE					
Senior debt	$ 27,624	$ 24,549	$ 26,085	$ 28,595	$ 33,592
Subordinate debt	38,767	36,468	33,128	30,416	28,313
Total Debt Service	$ 66,391	$ 61,017	$ 59,213	$ 59,011	$ 61,905
Debt Service Coverage					
Senior Debt Service Coverage (GAAP)	7.14	7.55	6.03	5.80	4.84
Total Debt Service Coverage (GAAP)	2.97	3.04	2.66	2.81	2.62
Total Debt Service Coverage (Adjusted Cash Basis)	3.01	3.04	2.66	2.81	2.62

Notes:

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 Subordinate Trust Agreement.

(Continued)

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)

	2018	2017	2016	2015	2014
OPERATING REVENUES					
Wastewater treatment charges	$ 275,539	$ 254,961	$ 234,020	$ 221,626	$ 211,538
Miscellaneous	3,504	3,669	3,861	3,935	3,643
TOTAL OPERATING REVENUES	279,043	258,630	237,881	225,561	215,181
OPERATING EXPENSES					
Wastewater treatment	116,982	113,100	106,575	114,137	109,149
General and administrative	40,480	40,287	40,026	38,678	33,012
Depreciation	52,349	49,311	45,670	41,871	42,761
TOTAL OPERATING EXPENSES	209,811	202,698	192,271	194,686	184,922
OPERATING INCOME	69,232	55,932	45,610	30,875	30,259
NON-OPERATING REVENUES (EXPENSES)					
Wastewater facility charges	6,673	7,511	6,699	7,428	6,640
Investment income	3,654	2,287	1,563	1,695	1,872
Bond interest subsidy	2,330	2,275	2,399	2,444	2,364
Change in fair value of investments	(1,382)	(1,119)	750	(286)	(422)
Capital distributions to localities	(311)	(138)	(3,287)	-	-
Bond issuance costs	(1,061)	(42)	(1,713)	(768)	-
Disposal of capital assets	-	-	-	-	-
Interest expense	(20,226)	(22,630)	(21,631)	(22,958)	(25,650)
NET NON-OPERATING EXPENSES	(10,323)	(11,856)	(15,220)	(12,445)	(15,196)
INCOME BEFORE CONTRIBUTIONS	58,909	44,076	30,390	18,430	15,063
CAPITAL CONTRIBUTIONS					
State capital grants	2,502	7,462	14,389	16,519	13,888
Other capital contributions	2,124	1,136	-	3,000	-
CHANGE IN NET POSITION	$ 63,535	$ 52,674	$ 44,779	$ 37,949	$ 28,951
NET POSITION					
Net investment in capital assets	$ 512,398	$ 428,670	$ 410,287	$ 385,597	$ 351,191
Restricted for debt service	27,799	22,701	23,798	22,070	24,064
Restricted for debt service reserve fund	-	-	-	44,118	45,207
Unrestricted	157,432	202,907	167,519	105,040	134,485
TOTAL NET POSITION	$ 697,629	$ 654,278	$ 601,604	$ 556,825	$ 554,947
Net Revenues Available for Debt Service (GAAP)	133,177	117,274	100,228	83,545	83,896
Add Back: Operating Expenses on Improvements Not Owned by HRSD *	311	138	3,287	-	-
Net Revenues Available for Debt Service (Adjusted)	$ 133,488	$ 117,412	$ 103,515	$ 83,545	$ 83,896
DEBT SERVICE					
Senior debt	$ 36,488	$ 35,837	$ 38,198	$ 43,842	$ 47,331
Subordinate debt	20,633	23,603	17,068	13,091	14,112
Total Debt Service	$ 57,121	$ 59,440	$ 55,266	$ 56,933	$ 61,443
Debt Service Coverage					
Senior Debt Service Coverage (GAAP)	3.59	3.10	2.56	1.90	1.76
Total Debt Service Coverage (GAAP)	2.03	1.93	1.77	1.46	1.36
Total Debt Service Coverage (Adjusted Cash Basis)	2.30	2.0	1.85	-	-

Notes:

FY2014 - HRSD implemented GASB Statements 68 and 71 effective July 1, 2014, which requires recording net pension assets or liabilities and related deferred outflows and inflows of resources.

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.

* 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 Subordinate Trust Agreement.

Unaudited – See accompanying independent auditors' report

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

(in thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Personal Services	$ 65,549	$ 61,157	$ 60,250	$ 59,666	$ 56,336	$ 55,160	$ 53,401	$ 51,801	$ 52,357	$ 50,538
Fringe Benefits	23,772	20,467	23,879	21,417	18,235	20,275	19,106	17,974	18,249	20,170
Repairs and Maintenance *	20,174	18,004	21,207	17,419	13,786	16,763	19,933	22,824	31,451	22,320
Materials and Supplies	12,641	9,495	11,413	9,364	9,314	8,865	8,310	7,843	4,343	5,764
Transportation	1,672	1,380	1,100	1,194	1,423	1,271	1,386	1,537	1,297	1,417
Utilities	17,044	13,762	12,947	12,584	12,749	11,968	11,523	11,249	10,503	11,126
Chemical Purchases	13,890	10,044	8,719	8,760	8,746	8,750	8,020	7,512	7,119	7,752
Contractual Services	42,934	41,904	37,278	33,748	32,123	30,165	26,977	21,573	15,127	14,222
Miscellaneous Expense	2,864	2,385	2,685	2,953	2,622	2,509	2,329	1,842	2,880	1,274
General **	2,987	1,210	2,033	2,237	2,976	1,736	2,402	2,446	9,489	7,578
Subtotal, Expense before Depreciation	203,527	179,808	181,511	169,342	158,310	157,462	153,387	146,601	152,815	142,161
Depreciation	54,469	54,357	53,278	51,383	53,225	52,349	49,311	45,670	41,871	42,761
Total Operating Expenses	$ 257,996	$ 234,165	$ 234,789	$ 220,725	$ 211,535	$ 209,811	$ 202,698	$ 192,271	$ 194,686	$ 184,922

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, 2014 THROUGH 2023

		(in thousands)			
As of June 30,	No. Of Service Connections	Senior Revenue Bonds	Subordinate Revenue Bonds	Total Outstanding Debt	Debt Per Service Connection
2023	486,000	$ 166,268	$ 813,474	$ 979,742	$ 2,016
2022	484,000	186,227	682,245	868,472	1,794
2021	481,000	202,486	632,520	835,006	1,736
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
2014	462,000	656,503	109,850	766,353	1,659

Note: Unamortized bond premiums are included in both senior and subordinate revenue bonds.

Unaudited – See accompanying independent auditors' report

RATE SCHEDULE
WASTEWATER TREATMENT CHARGES
LAST TEN FISCAL YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Residential - Metered										
Per CCF * (single step)	$ 6.97	$ 6.39	$ 5.86	$ 5.86	$ 5.37	$ 4.92	$ 4.51	$ 4.13	$ 3.83	$ 3.55
Minimum Charges Per day	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.25	0.25	0.25
Residential - Unmetered per 30-day period										
Flat rate accounts	57.90	52.20	48.64	48.64	34.91	31.98	29.32	26.32	26.32	26.32
Non-Residential - Special Category										
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	0.001558
Excess over 297 mg/liter	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	0.001244
Excess over 282 mg/liter	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	0.011714
Excess over 7 mg/liter	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	0.001752
Excess over 57 mg/liter	0.002705	0.002660	-	-	-	-	-	-	-	-
Hauled Wastewater (Indirect Discharge Water)										
Tank Truck Waste (per gallon)	-	-	0.1717	0.1717	0.1697	0.1300	0.1366	0.1362	0.1267	0.1258
Fats, Oils, and Grease (FOG)	0.3339	0.2737	-	-	-	-	-	-	-	-
Other Approved Hauled Wastes	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)

Unaudited – See accompanying independent auditors' report

RATE SCHEDULE
WASTEWATER FACILITY CHARGES
LAST TEN FISCAL YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Residential	$ 2,285	$ 2,055	$ 1,905	$ 1,905	$ 1,895	$ 1,895	$ 1,895	$ 1,895	$ 1,895	$ 1,895
Commercial/Industrial										
Volume based facility charges:										
5/8” Meter	$ 2,285	$ 2,055	$ 1,905	$ 1,905	$ 1,895	$ 1,895	$ 1,895	$ 1,895	$ 1,895	$ 1,895
3/4” Meter	4,210	4,210	4,210	4,210	4,830	4,830	4,830	4,830	4,830	4,830
1” Meter	7,410	7,410	7,410	7,410	8,170	8,170	8,170	8,170	8,170	8,170
1 1/2” Meter	17,590	16,645	16,645	16,645	17,260	17,260	17,260	17,260	17,260	17,260
2” Meter	34,415	31,465	30,505	30,505	30,510	30,510	30,510	29,420	29,420	29,420
3” Meter	88,570	80,405	73,810	73,810	70,800	70,800	70,800	67,350	63,600	62,270
4” Meter	173,245	156,530	138,445	138,445	128,660	128,660	128,660	122,400	115,580	106,060
6” Meter	445,910	400,625	336,960	336,960	298,610	298,610	298,610	284,070	268,250	224,650
8” Meter	872,130	780,840	634,710	634,710	542,680	542,680	542,680	516,260	487,510	382,670
10” Meter	1,467,435	1,310,665	1,038,525	1,038,525	862,550	862,550	862,550	820,560	774,860	587,820
12” Meter	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	3,215,910	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	4,390,660	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	987
Excess over 250 mg/liter										
TSS	-	-	-	-	-	-	-	-	424	624
Excess over 250 mg/liter										
TP	-	-	-	-	-	-	-	-	8,420	5,846
Excess over 6 mg/liter										
TKN	-	-	-	-	-	-	-	-	3,812	1,313
Excess over 35 mg/liter										

Notes:
One charge per connection.
HRSD eliminated strength based facility charges effective 7/1/2015.

Unaudited – See accompanying independent auditors’ report

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total										
Flow (MGD)	135.1	132.3	154.4	140.9	152.6	145.2	152.9	155.1	152.2	154.0
Influent (1,000 lbs.)										
BOD	284.4	263.5	269.1	252.4	281.9	285.1	288.2	282.5	286.0	288.6
TSS	253.4	203.4	215.4	226.2	211.4	215.8	215.9	228.8	198.6	204.7
TP	6.4	6.3	6.5	6.6	6.6	6.8	7.0	6.9	8.6	6.8
TKN	50.3	45.0	46.7	47.0	47.6	47.2	46.4	45.7	45.8	47.9
Effluent (1,000 lbs.)										
BOD	8.8	7.4	9.2	8.0	8.2	7.5	8.9	9.8	9.9	9.6
TSS	7.7	6.3	9.0	7.1	7.4	6.7	9.4	9.3	8.9	9.1
TP	0.5	0.5	0.7	0.7	0.8	0.7	0.9	0.9	1.0	1.1
TKN	4.3	5.1	8.1	8.4	8.5	7.3	7.7	8.0	9.8	11.2
Army Base Plant										
Flow (MGD)	8.4	8.2	11.1	10.4	11.1	10.0	9.5	9.6	9.9	10.7
Influent (1,000 lbs.)										
BOD	18.1	17.4	16.6	16.0	16.6	16.3	13.2	13.3	16.4	19.0
TSS	19.0	21.8	19.0	16.9	13.9	14.0	11.7	13.3	12.5	14.2
TP	0.3	0.3	0.4	0.4	0.4	0.4	0.3	0.3	0.4	0.4
TKN	2.9	2.9	3.2	3.3	3.3	3.1	2.7	2.7	2.9	3.5
Effluent (1,000 lbs.)										
BOD	0.2	0.2	0.6	0.2	0.3	0.2	0.3	0.3	0.8	0.8
TSS	0.3	0.4	0.9	0.3	0.4	0.3	0.4	0.5	0.6	0.8
TP	0.1	0.0	0.1	0.1	0.0	0.0	0.1	0.1	0.1	0.1
TKN	0.1	0.2	0.2	0.1	0.1	0.1	0.1	0.1	2.1	2.6
Atlantic Plant										
Flow (MGD)	42.8	35.9	27.4	24.5	28.1	26.1	28.2	27.2	30.9	25.7
Influent (1,000 lbs.)										
BOD	85.9	74.4	58.5	49.3	58.2	56.7	53.2	55.6	66.6	52.7
TSS	73.0	51.9	39.6	35.5	39.3	36.6	38.7	38.5	42.9	37.3
TP	2.1	1.8	1.4	1.3	1.4	1.3	1.4	1.4	1.5	1.3
TKN	17.2	15.2	11.4	10.7	11.9	11.2	11.0	10.9	11.4	10.4
Effluent (1,000 lbs.)										
BOD	5.4	3.5	2.9	3.0	2.5	2.4	2.3	2.7	3.0	2.2
TSS	4.7	2.9	2.5	1.5	1.6	1.6	1.9	1.9	2.4	2.0
Boat Harbor Plant										
Flow (MGD)	10.7	11.7	15.2	13.6	15.8	14.2	13.9	15.6	14.4	14.9
Influent (1,000 lbs.)										
BOD	17.8	17.7	20.0	18.4	20.6	19.2	17.4	18.3	20.0	19.2
TSS	12.7	13.2	16.1	16.0	18.0	16.6	15.7	18.1	16.3	16.7
TP	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.4
TKN	3.5	3.6	3.8	4.0	4.2	3.9	3.8	3.8	3.6	3.7
Effluent (1,000 lbs.)										
BOD	0.6	0.9	1.0	0.6	0.9	0.6	0.6	1.0	0.7	0.7
TSS	0.6	0.7	1.0	0.8	1.0	0.7	0.7	0.9	0.6	0.8
TP	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
TKN	2.5	2.2	2.1	2.0	2.5	1.3	1.2	1.8	2.2	2.4

Unaudited – See accompanying independent auditors' report

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Chesapeake-Elizabeth Plant *										
Flow (MGD)	-	10.1	16.8	17.4	17.6	18.7	18.0	16.3	19.1	18.4
Influent (1,000 lbs.)										
BOD	-	20.2	30.5	38.1	37.2	35.4	35.2	30.2	38.7	32.1
TSS	-	14.0	23.0	24.6	26.8	26.6	26.1	22.9	26.6	25.1
TP	-	0.5	0.7	0.8	0.8	0.8	0.8	2.7	0.8	0.8
TKN	-	4.0	6.1	6.9	6.8	6.6	6.4	5.1	6.7	6.4
Effluent (1,000 lbs.)										
BOD	-	1.2	2.5	2.2	2.0	2.8	2.3	2.0	2.5	2.2
TSS	-	0.9	1.9	2.0	1.9	3.2	2.3	1.8	1.9	2.1
TP	-	0.1	0.1	0.2	0.1	0.2	0.1	0.1	0.1	0.2
TKN	-	2.0	3.9	4.4	4.1	4.5	4.1	3.6	4.5	4.2
James River Plant										
Flow (MGD)	12.1	12.7	14.7	12.4	13.9	13.0	12.3	13.2	12.7	13.6
Influent (1,000 lbs.)										
BOD	35.5	24.9	23.1	24.0	25.8	26.8	25.5	24.4	25.7	27.5
TSS	46.4	17.5	18.1	17.4	18.7	19.3	17.4	17.8	18.0	19.4
TP	0.6	0.6	0.6	0.5	0.6	0.6	0.5	0.5	0.5	0.6
TKN	5.2	4.7	5.0	4.7	4.7	4.8	4.3	4.2	4.0	4.2
Effluent (1,000 lbs.)										
BOD	0.6	0.6	0.5	0.5	0.4	0.3	0.4	0.4	0.3	0.5
TSS	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.5	0.4	0.6
TP	0.0	0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1
TKN	0.6	0.6	0.5	0.5	0.3	0.4	0.5	0.4	0.4	0.2
Nansemond Plant										
Flow (MGD)	15.3	15.5	17.4	15.9	16.9	17.5	18.8	18.5	16.6	16.9
Influent (1,000 lbs.)										
BOD	30.1	29.9	33.8	32.5	33.0	31.9	40.7	35.8	28.5	29.0
TSS	27.7	25.9	36.0	46.5	37.2	33.4	40.3	38.4	21.9	23.1
TP	0.9	0.8	0.9	1.0	1.0	1.2	1.5	1.5	1.1	1.1
TKN	6.4	6.2	6.8	6.9	6.7	7.1	7.4	7.0	5.6	5.8
Effluent (1,000 lbs.)										
BOD	0.5	0.4	0.6	0.6	0.7	0.7	0.8	0.7	0.8	0.9
TSS	0.8	0.5	0.8	0.6	0.8	0.7	0.8	0.9	0.9	1.1
TP	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2
TKN	0.3	0.3	0.4	0.3	0.4	0.4	0.5	0.5	0.6	0.5
Virginia Initiative Plant										
Flow (MGD)	24.7	23.5	29.1	26.2	27.6	26.7	30.9	31.7	30.5	30.7
Influent (1,000 lbs.)										
BOD	42.3	39.1	39.4	37.0	40.4	47.5	50.1	50.4	47.5	45.8
TSS	37.3	33.2	31.5	35.4	23.2	30.0	31.3	32.0	30.2	30.6
TP	1.0	1.0	1.0	1.1	0.9	1.0	1.0	1.0	1.1	1.2
TKN	7.2	6.5	6.7	7.1	6.8	7.0	7.3	7.4	7.1	7.4
Effluent (1,000 lbs.)										
BOD	0.9	0.7	0.6	0.5	0.6	0.8	1.2	1.7	1.9	1.4
TSS	0.5	0.4	0.7	1.0	0.7	0.7	1.4	1.9	1.6	1.7
TP	0.1	0.1	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2
TKN	0.4	0.3	0.4	0.3	0.4	0.6	0.4	0.7	0.8	0.6

* The Chesapeake-Elizabeth Plant was closed December 31, 2021.

Unaudited – See accompanying independent auditors' report

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Williamsburg Plant										
Flow (MGD)	8.7	8.3	9.0	8.6	7.7	8.0	8.6	8.4	9.2	8.9
Influent (1,000 lbs.)										
BOD	36.7	33.3	32.5	33.4	32.6	36.1	33.2	34.7	40.4	37.7
TSS	21.5	17.4	18.0	21.2	24.1	19.1	27.9	16.2	19.9	16.8
TP	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.5
TKN	4.0	3.6	3.7	3.6	3.5	3.3	3.6	3.2	3.3	3.3
Effluent (1,000 lbs.)										
BOD	0.4	0.3	0.4	0.2	0.2	0.2	0.3	0.3	0.3	0.3
TSS	0.2	0.2	0.6	0.2	0.2	0.2	0.3	0.3	0.3	0.4
TP	0.1	0.1	0.1	0.0	0.0	0.0	0.1	0.1	0.1	0.1
TKN	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.2	0.3
York River Plant										
Flow (MGD)	11.6	11.6	13.9	13.2	12.6	12.6	12.7	12.6	13.2	13.3
Influent (1,000 lbs.)										
BOD	18.0	16.7	14.6	15.8	16.8	16.7	16.3	18.2	17.9	17.2
TSS	15.8	15.5	14.1	15.4	15.0	15.1	16.7	16.9	16.4	15.7
TP	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4
TKN	3.9	3.8	3.8	3.7	3.6	3.6	3.5	3.5	3.6	3.5
Effluent (1,000 lbs.)										
BOD	0.2	0.1	0.2	0.5	0.3	0.3	0.4	0.4	0.4	0.5
TSS	0.1	0.1	0.1	0.1	0.2	0.2	0.1	0.2	0.1	0.2
TP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1
TKN	0.3	0.3	0.4	0.3	0.2	0.2	0.3	0.3	0.3	0.4

Unaudited – See accompanying independent auditors' report

TEN LARGEST CUSTOMERS
CURRENT YEAR AND NINE YEARS AGO

(in thousands)

		2023		2014	
Customer	Type	Amount	Percent	Amount	Percent
U.S. Navy - Norfolk Naval Base	Military Facility	$ 6,711	1.8%	$ 4,026	1.9%
Anheuser - Busch, Inc.	Brewery	4,015	1.0%	4,457	2.1%
Huntington Ingalls Industries	Shipbuilding	2,891	0.8%	1,661	0.80%
U.S. Air Force - Langley Air Force Base	Military Facility	2,492	0.7%	-	-
Norfolk Naval Shipyard	Military Ship Repair	2,449	0.6%	1,249	0.6%
Norfolk Redevelopment & Housing Authority	Housing Authority	2,361	0.6%	1,479	0.7%
City of Norfolk	Municipality	2,183	0.6%	1,686	0.8%
Joint Expeditionary Base Little Creek-Fort Story	Military Facility	2,031	0.5%	1,384	0.7%
Oceana Naval Air Station / Dam Neck	Military Facility	1,812	0.5%	-	-
City of Virginia Beach	Municipality	1,777	0.5%	-	-
Smithfield Foods	Meat Processor	-	-	3,327	1.6%
U.S. Army - Fort Eustis	Military Facility	-	-	1,076	0.5%
Sentara Healthcare	Healthcare	-	-	1,019	0.5%
Total		$ 28,722	7.6%	$ 21,364	10.2%

Unaudited – See accompanying independent auditors' report

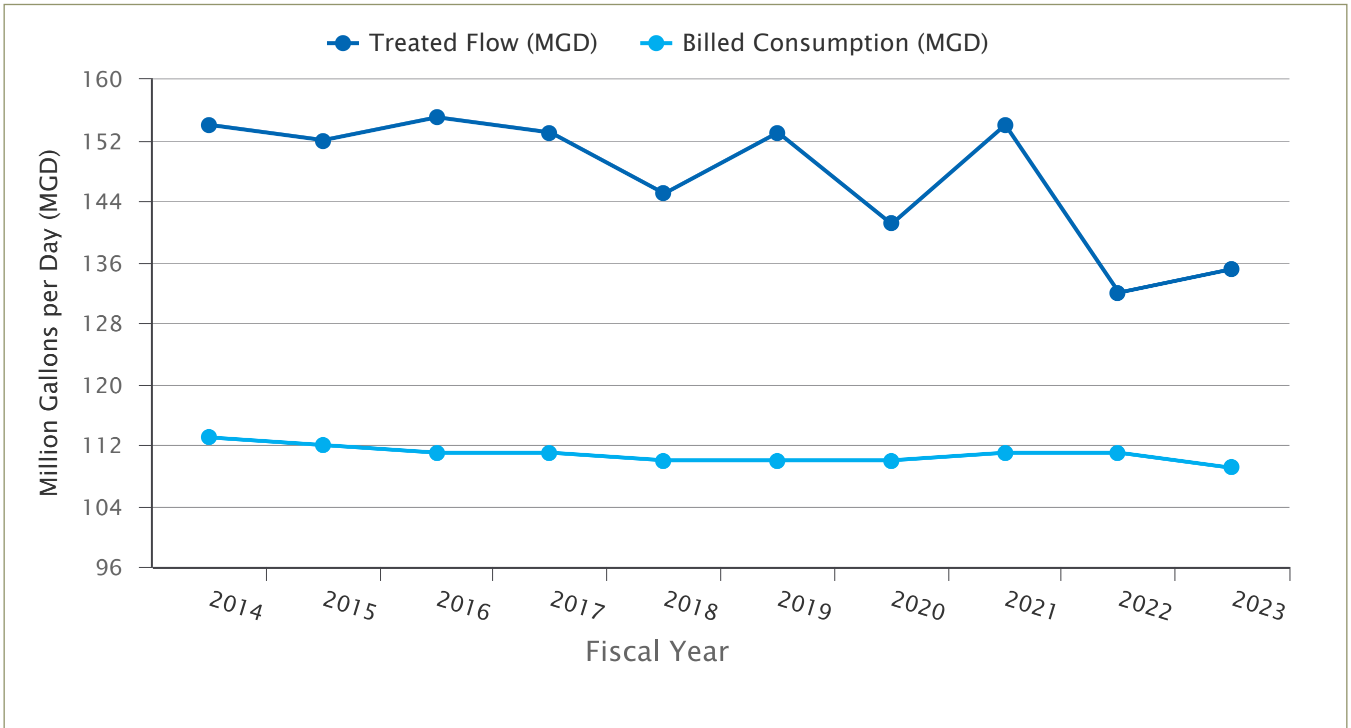
TEN LARGEST EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

		2023			2014		
Employer	Type	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%	57,379	1	6.1%
Huntington Ingalls Industries	Shipbuilding and Repair	42,000	2	4.9%	24,000	2	2.6%
Sentara Healthcare	Health Care Network	30,000	3	3.5%	20,000	4	2.1%
Joint Expeditionary Base Little Creek - Fort Story	Military Facility	15,000	4	1.8%	19,841	5	2.1%
Virginia Beach Public Schools	Public Schools	14,162	5	1.7%	10,000	8	1.1%
Naval Support Activity/ Naval Medical Center	Military Facility	12,300	6	1.4%	-	-	-
Norfolk Naval Shipyard	Military Ship Repair	12,000	7	1.4%	12,486	7	1.3%
Oceana Naval Air Station	Military Facility	10,500	8	1.2%	15,547	6	1.7%
Joint Base Langley-Eustis	Military Facility	9,000	9	1.1%	23,090	3	2.5%
Riverside Health System	Health Care Network	9,000	10	1.1%	7,050	9	0.8%
Norfolk City Public Schools	Public Schools	-	-	-	6,527	10	0.7%
Total		235,962		27.7%	195,920		21.0%

Sources:
Hampton Roads Economic Development Alliance
Hampton Roads Statistical Digest
Hampton Roads Business
Confirmation with employers

Unaudited – See accompanying independent auditors' report

COMPARISON OF TREATED FLOW TO BILLED FLOW
LAST TEN FISCAL YEARS



Year ended June 30,	Treated Flow (MGD)	Billed Consumption (MGD)
2014	154	113
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

Unaudited – See accompanying independent auditors' report

NUMBER OF EMPLOYEES BY IDENTIFIABLE ACTIVITY
LAST TEN FISCAL YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
General Management										
General Manager	1	1	1	1	1	2	3	3	3	3
Support Staff	1	1	1	1	1	1	1	1	1	1
Total General Management	2	2	2	2	2	3	4	4	4	4
Communications										
Communications	1	1	1	1	1	1	-	-	-	-
Support Staff	3	2	2	2	2	1	-	-	-	-
Total Communications	4	3	3	3	3	2	-	-	-	-
Talent Management										
Human Resources	6	5	6	6	6	6	6	5	5	5
Safety	5	5	4	3	3	3	3	3	-	-
Training	4	4	4	3	3	2	2	2	2	2
Support Staff	3	3	3	4	4	4	4	4	3	3
Total Talent Management	18	17	17	16	16	15	15	14	10	10
Finance										
Accounting	15	15	15	12	12	11	10	10	10	10
Customer Care Center	63	65	71	77	77	77	77	77	69	69
Procurement	11	12	11	10	10	10	10	10	9	9
Capital Finance	9	6	-	-	-	-	-	-	-	-
Support Staff	5	4	5	3	3	3	3	2	3	3
Total Finance	103	102	102	102	102	101	100	99	91	91
Information Technology										
Information Technology	52	49	48	48	43	48	47	45	39	35
Support Staff	2	2	2	2	2	2	1	1	1	1
Total Information Technology	54	51	50	50	45	50	48	46	40	36
Operations										
Army Base Treatment Plant	31	29	32	34	34	34	34	31	32	32
Atlantic Treatment Plant	36	36	37	35	35	35	35	32	33	33
Boat Harbor Treatment Plant	33	34	32	35	35	35	35	32	33	33
Chesapeake-Elizabeth Treatment Plant	-	25	31	32	32	32	32	31	32	32
Interceptor System Maintenance	111	112	121	119	119	118	117	115	120	120
James River Treatment Plant	24	24	24	22	22	22	22	20	21	21
Maintenance Shops	114	112	85	74	73	71	70	83	86	86
Nansemond Treatment Plant	32	30	35	32	32	32	32	30	31	31
Virginia Initiative Plant	33	33	32	34	34	33	33	30	31	31
Williamsburg Treatment Plant	30	28	28	29	29	29	29	28	29	29
York River Treatment Plant	24	23	23	24	24	24	24	22	23	23
Small Communities Division	29	27	23	23	23	23	23	21	17	17
Support Staff	27	20	23	23	23	23	23	24	25	25
Total Operations	524	533	526	516	515	511	509	499	513	513
Engineering										
Design and Construction	51	43	31	31	30	26	25	25	21	19
Support Staff	2	2	13	13	13	13	14	14	14	14
Total Engineering	53	45	44	44	43	39	39	39	35	33
Water Quality										
Pretreatment & Pollution Prevention	27	27	27	28	27	27	26	26	25	24
Technical Services	35	34	36	34	31	31	29	28	25	23
Laboratory	53	52	50	47	47	46	45	42	40	38
Support Staff	5	6	5	5	5	5	6	6	6	6
Total Water Quality	120	119	118	114	110	109	106	102	96	91
Total Employees	878	872	862	847	836	830	821	803	789	778

Unaudited – See accompanying independent auditors' report

Other Supplemental Section (Unaudited)

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INDEX TO OTHER SUPPLEMENTAL SECTION

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

Contents **Page**

Unaudited – See accompanying independent auditors' report

SUMMARY OF PRIMARY BONDED DEBT SERVICE
June 30, 2023

(in thousands)

As of June 30,	Senior Bonds Principal	Senior Bonds Interest	Senior Bonds Debt Service	Subordinate Bonds Debt Service	Total Debt Service
2024	$ 19,600	$ 7,942	$ 27,542	$ 95,058	$ 122,600
2025	20,450	7,007	27,457	50,369	77,826
2026	20,671	6,030	26,701	51,821	78,522
2027	7,843	5,368	13,211	65,132	78,343
2028	8,086	5,021	13,107	61,788	74,895
2029	8,340	4,661	13,001	61,727	74,728
2030	8,600	4,289	12,889	61,551	74,440
2031	8,428	3,903	12,331	62,543	74,874
2032	5,995	3,523	9,518	60,463	69,981
2033	6,225	3,165	9,390	56,449	65,839
2034	6,465	2,793	9,258	50,846	60,104
2035	6,715	2,406	9,121	50,187	59,308
2036	6,975	2,005	8,980	44,384	53,364
2037	7,245	1,588	8,833	44,505	53,338
2038	7,525	1,155	8,680	44,308	52,988
2039	7,815	705	8,520	27,886	36,406
2040	8,115	234	8,349	19,873	28,222
2041	-	-	-	19,447	19,447
2042	-	-	-	19,117	19,117
2043	-	-	-	13,335	13,335
2044	-	-	-	13,295	13,295
2045	-	-	-	7,995	7,995
2046	-	-	-	7,620	7,620
2047	-	-	-	3,546	3,546
2048	-	-	-	3,359	3,359
2049	-	-	-	5,660	5,660
2050	-	-	-	12,925	12,925
2051	-	-	-	19,865	19,865
2052	-	-	-	23,877	23,877
2053	-	-	-	26,517	26,517
Total	$ 165,093	$ 61,795	$ 226,888	$ 1,085,448	$ 1,312,336

Unaudited – See accompanying independent auditors' report

BUDGETARY COMPARISON SCHEDULE
June 30, 2023

(in thousands)

	Budget Adopted	Budget Amended	Actual	Variance under Amended Budget	Percent Variance
OPERATING BUDGET EXPENSES					
General Management	$ 456	$ 508	$ 457	$ 51	10.0%
Communications	641	769	567	202	26.3%
Finance	15,846	16,496	15,853	643	3.9%
Information Technology	17,783	19,872	17,402	2,470	12.4%
Talent Management	2,615	3,131	2,682	449	14.3%
Operations	117,539	132,371	120,705	11,666	8.8%
Engineering	8,117	8,981	7,663	1,318	14.7%
Water Quality	16,577	17,604	16,302	1,302	7.4%
General	8,569	9,693	6,465	3,228	33.3%
Debt Service	70,033	67,620	67,648	(28)	0.0%
TOTAL	258,176	277,045	255,744	$ 21,301	7.7%
Transfer to CIP	129,413	129,413			
Transfer to Risk Management	260	260			
	$ 387,849	$ 406,718			
Add:					
Unbudgeted Depreciation and Amortization			54,469		
Unbudgeted Bad Debt Expense			2,987		
Capital Improvement Program Items Expensed			16,624		
Less:					
Capitalized Assets			1,758		
Debt Service			67,648		
Capital Distributions to Localities			2,422		
TOTAL OPERATING EXPENSES			$ 257,996		

Unaudited – See accompanying independent auditors' report

NOTES TO BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2023

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 2023 was $258,176,000 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 adjustments 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 of Section 3.12 of the Master Trust Indenture, dated December 1, 1993, and the Trust Agreement, dated March 1, 2008. 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 two Commissioners. The two 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.

The 2008 Trust Agreement requires Debt Service Coverage of 1.20 times for senior and 1.00 times for total debt based on maximum annual debt service. The 2008 Subordinate Trust Agreement was amended in 2016 to account for Consent Decree expenses related to Locality wet weather improvements that HRSD will not own and requires total debt service coverage to be 1.2 times on an adjusted cash basis. The HRSD Commission has a policy of providing senior revenue and total revenue bonded debt service coverage ratios of not less than 1.5 and 1.4 times annual debt service on an adjusted cash basis, respectively.

Budget Accounting

The Annual Budget is prepared on a basis of accounting 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. The FY 2023 Annual Budget consists of two parts: an operating budget that covers day-today 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. The Commission annually adopts only the first year of the capital budget. HRSD's Commission separately approves all contracts that are awarded under the capital budget.

Unaudited – See accompanying independent auditors' report

SCHEDULE OF REVENUES, EXPENSES AND DEBT SERVICE FOR OPERATIONS - ACTUAL TO BUDGET FOR THE FISCAL YEAR ENDED JUNE 30, 2023

(in thousands)

	Actual	Amended Budget	Variance Favorable/ (Unfavorable)	Budget Variance Percentage
OPERATING REVENUES				
Wastewater Treatment Charges	$ 383,115	$ 374,842	$ 8,273	2%
Miscellaneous	4,820	1,439	3,381	235%
TOTAL OPERATING REVENUES	387,935	376,281	11,654	1%
CURRENT EXPENSES				
General Management	457	508	51	10%
Communications	567	769	202	26%
Finance	15,853	16,496	643	4%
Information Technology	17,402	19,872	2,470	12%
Talent Management	2,682	3,131	449	14%
Operations	120,705	132,371	11,666	9%
Engineering	7,663	8,981	1,318	15%
Water Quality	16,302	17,604	1,302	7%
General	6,465	9,693	3,228	33%
TOTAL CURRENT EXPENSES	188,096	209,425	21,329	10%
EXCESS OF OPERATING REVENUES OVER EXPENSES	199,839	166,856	32,983	20%
NON-OPERATING REVENUES				
Wastewater Facility Charge	7,293	7,150	143	2%
Interest Income	6,068	1,570	4,498	286%
Bond Interest Subsidy	2,015	2,026	(11)	(1%)
TOTAL NON-OPERATING REVENUES	15,376	10,746	4,630	43%
INCOME BEFORE CAPITAL CONTRIBUTIONS	215,215	177,602	37,613	21%
CAPITAL CONTRIBUTIONS				
Other Capital Contributions	1,875	-	1,875	100%
AMOUNT AVAILABLE FOR DEBT	217,090	177,602	39,488	22%
DEBT SERVICE				
Principal and Interest	67,550	67,120	(430)	(1%)
Cost of Issuance	98	500	402	80%
TOTAL DEBT SERVICE	67,648	67,620	(28)	(0%)
AMOUNT AVAILABLE TO REINVEST	$ 149,442	$ 109,982	$ 39,460	36%

Unaudited – See accompanying independent auditors' report

OBJECTIVE CLASSIFICATION OF DEPARTMENTAL EXPENSES FOR OPERATIONS - ACTUAL TO BUDGET FOR THE FISCAL YEAR ENDED JUNE 30, 2023

(in thousands)

	General Management	Communications	Finance	Information Technology	Talent Management	Operations
Personal Services	$ 340	$ 292	$ 6,673	$ 5,323	$ 1,655	$ 37,380
Fringe Benefits	84	98	2,652	1,707	587	15,297
Materials & Supplies	1	60	58	2,398	72	8,140
Transportation	12	12	21	12	20	1,532
Utilities	-	-	262	1,341	-	14,798
Chemical Purchases	-	-	-	-	-	13,890
Contractual Services	4	99	6,007	5,313	20	22,160
Major Repairs	-	-	-	1,001	-	4,931
Capital Assets	-	-	-	81	-	1,677
Miscellaneous Expense	16	6	180	226	328	900
	$ 457	$ 567	$ 15,853	$ 17,402	$ 2,682	$ 120,705

Unaudited – See accompanying independent auditors' report

OBJECTIVE CLASSIFICATION OF DEPARTMENTAL EXPENSES
FOR OPERATIONS - ACTUAL TO BUDGET
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

(in thousands)

	Engineering	Water Quality	General	Total	Percent of Total	Amended Budget	Variance Favorable/ (Unfavorable)
Personal Services	$ 4,665	$ 8,838	$ 383	$ 65,549	26%	$ 63,417	$ (2,132)
Fringe Benefits	1,578	3,566	(1,797)	23,772	9%	26,569	2,797
Materials & Supplies	25	1,868	19	12,641	5%	13,742	1,101
Transportation	25	38	-	1,672	1%	1,799	127
Utilities	-	1	642	17,044	7%	15,556	(1,488)
Chemical Purchases	-	-	-	13,890	5%	13,776	(114)
Contractual Services	1,230	1,557	6,544	42,934	17%	58,308	15,374
Major Repairs	-	41	-	5,973	2%	12,404	6,431
Capital Assets	-	-	-	1,758	1%	626	(1,132)
Miscellaneous Expense	140	393	674	2,863	1%	3,228	365
	$ 7,663	$ 16,302	$ 6,465	$ 188,096	74%	$ 209,425	$ 21,329
Debt Service							
Principal and Interest				67,550	26%	67,120	(430)
Cost of Issuance				98	0%	500	402
Total Debt Service				$ 67,648	26%	$ 67,620	$ (28)
Total Department and Debt Service				$ 255,744	100%	$ 277,045	$ 21,301

Unaudited – See accompanying independent auditors' report

DEPARTMENT SUMMARY OF EXPENSES
ACTUAL TO BUDGET
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

(in thousands)

	Actual	Amended Budget	Variance Favorable/ (Unfavorable)
General Management			
Personal Services	$ 340	$ 305	$ (35)
Fringe Benefits	84	79	(5)
Materials & Supplies	1	60	59
Transportation	12	12	-
Contractual Services	4	21	17
Miscellaneous Expense	16	31	15
	457	508	51
Communications			
Personal Services	292	359	67
Fringe Benefits	98	122	24
Materials & Supplies	60	155	95
Transportation	12	9	(3)
Contractual Services	99	114	15
Miscellaneous Expense	6	10	4
	567	769	202
Finance			
Personal Services	6,673	6,545	(128)
Fringe Benefits	2,652	2,573	(79)
Materials & Supplies	58	109	51
Transportation	21	8	(13)
Utilities	262	332	70
Contractual Services	6,007	6,673	666
Miscellaneous Expense	180	256	76
	15,853	16,496	643
Information Technology			
Personal Services	5,323	5,464	141
Fringe Benefits	1,707	1,778	71
Materials & Supplies	2,398	1,593	(805)
Transportation	12	39	27
Utilities	1,341	1,348	7
Contractual Services	5,313	7,115	1,802
Major Repairs	1,001	2,161	1,160
Capital Assets	81	-	(81)
Miscellaneous Expense	226	374	148
	17,402	19,872	2,470

(Continued)

Unaudited – See accompanying independent auditors' report

DEPARTMENT SUMMARY OF EXPENSES
ACTUAL TO BUDGET
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

(in thousands)

	Actual	Amended Budget	Variance Favorable/ (Unfavorable)
Talent Management			
Personal Services	$ 1,655	$ 1,843	$ 188
Fringe Benefits	587	635	48
Materials & Supplies	72	68	(4)
Transportation	20	23	3
Contractual Services	20	275	255
Miscellaneous Expense	328	287	(41)
	2,682	3,131	449
Operations			
Personal Services	37,380	36,510	(870)
Fringe Benefits	15,297	15,008	(289)
Materials & Supplies	8,140	9,695	1,555
Transportation	1,532	1,665	133
Utilities	14,798	13,348	(1,450)
Chemical Purchases	13,890	13,776	(114)
Contractual Services	22,160	30,592	8,432
Major Repairs	4,931	10,141	5,210
Capital Assets	1,677	626	(1,051)
Miscellaneous Expense	900	1,010	110
	120,705	132,371	11,666
Engineering			
Personal Services	4,665	5,111	446
Fringe Benefits	1,578	1,782	204
Materials & Supplies	25	26	1
Transportation	25	15	(10)
Contractual Services	1,230	1,815	585
Miscellaneous Expense	140	232	92
	7,663	8,981	1,318
Water Quality			
Personal Services	8,838	8,740	(98)
Fringe Benefits	3,566	3,448	(118)
Materials & Supplies	1,868	2,010	142
Transportation	38	28	(10)
Utilities	1	3	2
Contractual Services	1,557	2,649	1,092
Major Repairs	41	102	61
Miscellaneous Expense	393	624	231
	16,302	17,604	1,302
General			
Personal Services	383	(1,460)	(1,843)
Fringe Benefits	(1,797)	1,144	2,941
Materials & Supplies	19	26	7
Utilities	642	525	(117)
Contractual Services	6,544	9,054	2,510
Miscellaneous Expense	674	404	(270)
	6,465	9,693	3,228
TOTAL DEPARTMENTAL EXPENSES	$ 188,096	$ 209,425	$ 21,329

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Cleaning wastewater every day for a better Bay.

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HRSD

1434 Air Rail Avenue
Virginia Beach, VA 23455
www.hrsd.com

Photos used for this publication feature the
Grand Opening of Woodstock Park in Virginia Beach, Virginia.
Printed on recycled paper using environmentally friendly ink.

APPENDIX B

CERTAIN DEFINITIONS

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APPENDIX B

CERTAIN DEFINITIONS

The following is a brief summary of certain definitions of certain terms contained in the Trust Agreement and the Eleventh Supplemental Trust Agreement and used in this Official Statement. This summary does not purport to be complete or definitive and qualified in its entirety by reference to the Trust Agreement and the Eleventh Supplemental Trust Agreement, copies of which are available for examination at the offices of the Trustee.

"**Additional Bonds**" means Bonds, if any, issued by the District after the Effective Date of the Trust Agreement, pursuant to the Trust Agreement, including Additional Bonds issued in exchange for other such Additional Bonds or in replacement for mutilated, destroyed, stolen or lost Additional Bonds.

"**Audited Financial Statements**" means the annual financial statements of the District as audited and reported on by a firm of independent public accountants, for a twelve-month period constituting a Fiscal Year or other period indicated, prepared in accordance with generally accepted accounting principles.

"**Balloon Long-Term Indebtedness**" means Long-Term Indebtedness 25% or more of the principal payments of which is due in a single year, which portion of the principal is not required by the documents pursuant to which such Indebtedness is issued to be amortized by redemption prior to such date.

"**Bond Registrar**" means the Bond Registrar at the time serving as such under the Trust Agreement whether the original or a successor bond registrar.

"**Bond Fund**" means the Hampton Roads Sanitation District (Virginia) Bond Fund created and so designated pursuant to the Trust Agreement.

"**Bonds**" means the Series 2016 Bonds, the Series 2017 Bonds, the Series 2018 Bonds, the Series 2019 Bonds, the 2020 WIFIA Bond, the 2021 WIFIA Bond, the Series 2024A Bonds, the Series 2024B Bonds, and any Additional Bonds under the Trust Agreement, including such Bonds issued in exchange for other such Bonds and Bonds issued in replacement for and upon the cancellation of mutilated Bonds or in lieu of and in substitution for destroyed, stolen or lost Bonds pursuant to the Trust Agreement.

"**Business Day**" means any day on which banks located in the city in which the designated corporate trust office of the Trustee is located (as of the date of this Official Statement, Pittsburgh, Pennsylvania) and in New York, New York, are open for commercial banking purposes.

"**Capital Appreciation Bonds**" means Bonds the interest on which is compounded at the rates and on the dates set forth in the Series Agreement authorizing the issuance of such Bonds and is payable upon redemption or on the maturity date of such Bonds. Nothing in the Trust Agreement prohibits the District from designating in such Series Agreement any such Bonds by a name other than Capital Appreciation Bonds.

"**Coincidental Maximum Annual Debt Service**" means the highest amount of debt service due and payable on the Senior Obligations in the then-current or any succeeding Fiscal Year determined by reference to the Principal and Interest Requirements.

"**Commission**" means the Hampton Roads Sanitation District Commission, which is the governing body of the District.

"**Commonwealth**" means the Commonwealth of Virginia.

"**Construction Fund**" means the Hampton Roads Sanitation District (Virginia) Construction Fund created and so designated pursuant to the Trust Agreement.

"**Contracted Services**" means services rendered or facilities provided to the District for the performance for or on behalf of the District of functions similar to those performed by the District from a specific project, projects or systems, pursuant to a contract, whether a financing lease, a service agreement or another arrangement.

"**Credit Facility**" means a line of credit, letter of credit, standby bond purchase agreement or similar credit enhancement or liquidity facility, including self-liquidity provided by the District, established to provide credit or liquidity support for Indebtedness.

"**Cross-over Date**" means, with respect to Cross-over Refunding Indebtedness, the date on which the principal portion of the related Cross-over Refunded Indebtedness is to be paid or redeemed from the proceeds of such Cross-over Refunding Indebtedness.

"**Cross-over Refunded Indebtedness**" means Indebtedness refunded by Cross-over Refunding Indebtedness.

"**Cross-over Refunding Indebtedness**" means Indebtedness issued for the purpose of refunding other Indebtedness if the proceeds of such refunding Indebtedness are irrevocably deposited in escrow to secure the payment on the applicable redemption date or maturity date of the refunded Indebtedness, and the earnings on such escrow deposit (i) are required to be applied to pay interest on such refunding Indebtedness until the Cross-over Date and (ii) are not to be used directly or indirectly to pay interest on the refunded Indebtedness.

"**Current Interest Bonds**" means Bonds the interest on which is payable on the Interest Payment Dates provided therefor in the Series Agreement authorizing the issuance of such Bonds.

"**Debt Service Component of Contracted Services**" means that part of the payment for Contracted Services for which the District is obligated to pay that the chief financial officer of the District shall have determined in writing in an Officer's Certificate at the time the District commits to receive such Contracted Services to be for the purpose of paying a fixed charge or the principal of and interest on obligations, directly or indirectly associated with rendering the Contracted Services, of the person providing the Contracted Services.

"**Debt Service Reserve Fund**" means the Hampton Roads Sanitation District (Virginia) Debt Service Reserve Fund created and so designated by the Trust Agreement.

"**Debt Service Reserve Fund Requirement**" means (i) on the date of issuance of the Series 2024B Bonds, zero (0) and (ii) if, and to the extent, the District in its sole discretion determines to fund the Debt Service Reserve Fund, the Debt Service Reserve Fund Requirement specified in a Series Agreement.

"**Defaulted Interest**" means any interest on any Bond which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date.

"**Defeasance Obligations**" means, with respect to the Series 2024B Bonds, noncallable (i) Government Obligations, (ii) senior debt obligations issued or guaranteed by, or investments otherwise stripped from senior debt obligations issued by, any federal agency, instrumentality, corporation, or government-sponsored enterprise, including but not limited to: (1) Federal Home Loan Bank System, (2) Export-Import Bank of the United States, (3) Federal Financing Bank, (4) Government National Mortgage Association, (5) Federal Home Loan Mortgage Company, (6) Federal Housing Administration, (7) Private Export Funding Corp, (8) Federal National Mortgage Association, (9) Federal Farm Credit Bank, (10) Resolution Funding Corporation, including interest strips and principal strips, (11) Rural Economic Community Development Administration (formerly, Farmers Home Administration), (iii) evidences of ownership of a proportionate interest in specified Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, (iv) obligations issued pursuant to Section 21B(d)(3) of the Federal Home Loan Bank Act, as amended by Section 511(a) of the Financial Institutions Reform, Recovery and Enforcement Act of 1989, and commonly known as "interest strips" of the Resolution Funding Corporation, (v) Defeased Municipal Obligations, (vi) United States Agency for International Development ("US AID") guaranteed notes (including stripped securities) provided that any US AID security shall mature at least 10 Business Days prior to any cash flow or escrow requirement, and (vii) evidences of ownership of a proportionate interest in specified Defeased Municipal Obligations, which Defeased Municipal Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity as custodian.

"**Defeased Municipal Obligations**" means, except as otherwise provided in a Series Agreement, obligations of state or local government municipal bond issuers which are rated at the time of acquisition the highest rating by at least two of the three Rating Agencies, meeting the following conditions:

(i) (A) such obligations are not to be redeemed prior to maturity or the Trustee has been given irrevocable instructions concerning their call for redemption, and (B) the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions;

(ii) such obligations are secured by Government Obligations that may be applied only to interest, principal, and premium payments on such obligations;

(iii) the principal of and interest on such Government Obligations (plus any cash in the escrow fund with respect to such pre-refunded obligations) are sufficient to meet the liabilities of the obligations;

(iv) the Government Obligations serving as security for the obligations are held by an escrow agent or trustee; and

(v) such Government Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent.

"**Derivative Agreement**" means, without limitation, (i) any contract known as or referred to or which performs the function of an interest rate swap agreement, forward payment conversion agreement or futures contract; (ii) any contract providing for payments based on levels of, or changes or differences in, interest rates or other indices; (iii) any contract to exchange cash flows or payments or series of payments; (iv) any type of contract called, or designed to perform the function of, interest rate floors or caps, options, puts or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, rate or other financial risk; and (v) any other type of contract or arrangement that the District determines is to be used, or is intended to be used, to manage or reduce the cost of Indebtedness, to convert any element of Indebtedness from one form to another or to protect against any type of financial risk or uncertainty.

"**Derivative Agreement Counterparty**" means, with respect to a Derivative Agreement, the person that is identified in such agreement as the counterparty to, or contracting party with, the District.

"**Derivative Indebtedness**" means all or any portion of Indebtedness of the District that bears interest at

(a) a variable rate for any period of time meeting the following requirements: (i) the District has issued or entered into a Derivative Agreement in respect of all or such portion of such Indebtedness, and (ii) such Derivative Agreement provides that, during the period that such Indebtedness bears interest at a variable rate, the District will pay a fixed rate and the provider of the Derivative Agreement will pay a variable rate, then in such case such Indebtedness, taken together with the Derivative Agreement, is to be deemed to result in a net fixed rate payable by the District for such period of time (the "Hedged Fixed Rate"), for so long as the District and the party(ies) with whom the District has entered into the Derivative Agreement makes all payments required to be made by the terms of the Derivative Agreement, or

(b) a fixed rate for any period of time meeting the following requirements: (i) the District has issued or entered into a Derivative Agreement in respect of all or such portion of such Indebtedness, and (ii) such Derivative Agreement provides that during the period that such Indebtedness bears interest at a fixed rate the District will pay a variable rate and the provider of the Derivative Agreement will pay a fixed rate, then such Indebtedness, taken together with the Derivative Agreement, is to be deemed to result in a net variable rate payable by the District for such period of time (the "Hedged Variable Rate"), assuming the District and the party(ies) with whom the District has entered into the Derivative Agreement make all payments required to be made by the terms of the Derivative Agreement.

"**District**" means the Hampton Roads Sanitation District, a political subdivision of the Commonwealth of Virginia.

"**District Representative**" means each of the persons at the time designated to act on behalf of the District in a written certificate furnished to the Trustee, which certificate is to contain the specimen signature(s) of such person(s) and is to signed on behalf of the Commission by its Chair or Vice Chair or the General Manager/Chief Executive Officer of the District.

"**Effective Date**" means the date on which the Trust Agreement was executed and delivered in accordance with the provisions thereof (July 16, 2024).

"**Financial Statements**" means the unaudited financial statements of the District for the Fiscal Year or other period indicated, pro forma or otherwise, and containing the same financial information as the Audited Financial Statements.

"**Fiscal Year**" means the twelve-month period beginning on July 1 of one calendar year and ending on June 30 of the following calendar year or such other twelve-month period designated by the Commission.

"**Government Obligations**" means direct obligations of, or obligations the timely payment of principal of and interest on which are fully and unconditionally guaranteed by, the United States of America.

"**Hedged Fixed Rate**" means Hedged Fixed Rate as defined in the definition of Derivative Indebtedness.

"**Hedged Variable Rate**" means Hedged Variable Rate as defined in the definition of Derivative Indebtedness.

"**Holder**" means an owner of any Senior Obligation issued in other than bearer form.

"**Indebtedness**" means (i) all indebtedness of the District for borrowed money, (ii) all installment sales, conditional sales and capital lease obligations incurred or assumed by the District, and (iii) the Debt Service Component of Contracted Services.

"**Independent Consultant**" means a firm or firms which are not, and no member, stockholder, director, officer, trustee or employee of which is, an officer, director, trustee or employee of the District, and which is a professional management or engineering consultant of national repute for having the skill and experience necessary to render the particular report required by the provision of the Trust Agreement in which such requirement appears.

"**Independent Insurance Consultant**" means a firm or person selected by the District, who is not an officer, director, trustee or employee of the District, and which or who is qualified to survey risks and to recommend insurance coverage for wastewater treatment systems and organizations engaged in such operations and is selected by the District.

"**Interest Payment Date**" means each date described as such in a Series Agreement and, for the Series 2024B Bonds, means each January 1 and July 1, beginning January 1, 2025.

"**Interest Requirements**" for any Fiscal Year means the amount that is required to pay interest on all Outstanding Senior Obligations.

"**Investment Obligations**" means any and all investment obligations authorized by (A) the Investment of Public Funds Act, being Section 2.2-4500 *et seq*., Code of Virginia, 1950, as amended, (B) the Government Non-Arbitrage Investment Act, being Section 2.2-4700 *et seq*., Code of Virginia, 1950, as amended, and (C) successor statutes to those described in (A) and (B) above, as the same may be from time to time amended.

"**Issuance Costs**" means all issuance costs incurred in connection with the Bonds. Examples of such issuance costs include, but are not limited to, the following, if any: (a) counsel fees; (b) financial advisor fees incurred in connection with the issuance of the Bonds; (c) Rating Agency fees; (d) depository fees incurred in connection with the issuance of the Bonds; (e) trustee, paying agent, bond registrar and certifying and authenticating agent fees related to the issuance of the Bonds; (f) accountant fees related to the issuance of the Bonds; (g) printing costs; (h) costs incurred in connection with the required public approval process; and (i) costs of engineering and feasibility studies necessary to the issuance of the Bonds.

"**Issuance Fund**" means the Hampton Roads Sanitation District (Virginia) Issuance Fund created and so designated by the Trust Agreement.

"**Lien**" means any mortgage, deed of trust or pledge of, security interest in or encumbrance on any Property of the District that secures any Indebtedness or any other obligation of the District.

"**Long-Term Debt Service Coverage Ratio**" means, for any period of time, the ratio determined by dividing the Net Revenues by the Coincidental Maximum Annual Debt Service.

"**Long-Term Debt Service Requirement**" means, for any period of 12 consecutive calendar months for which such determination is made, the aggregate of the payments to be made in respect of principal and interest (whether or not separately stated) on Outstanding Long-Term Indebtedness during such period, also taking into account:

(i) with respect to Balloon Long-Term Indebtedness that is not amortized by the terms thereof (a) the amount of principal that would be payable in such period if such principal were amortized from the date of incurrence thereof over a period of the lesser of 30 years and the number of years until the final maturity of such Indebtedness on a level debt service basis, at an interest rate equal to the market rate for a fixed rate obligation set forth in an opinion, delivered to the District and the Trustee, of a banking institution, an investment banking institution or an independent registered municipal advisor, selected by the District and knowledgeable in municipal finance, as the interest rate at which the District could reasonably expect to borrow the same by incurring Indebtedness with the same term as the period assumed above; provided, however, that if the date of calculation is within 12 calendar months of the actual final maturity of such Indebtedness, the full amount of principal payable at maturity is to be included in such calculation or (b) principal payments or deposits with respect to Indebtedness secured by an irrevocable letter of credit issued by, or an irrevocable line of credit with, a bank or other financial institution, provided such credit arrangement is rated in one of the three highest rating categories by at least two of the Rating Agencies or rated in the highest short-term rating category by at least two of the Rating Agencies, nominally due in the last Fiscal Year in which such Indebtedness matures may, at the option of the District, be treated as if such principal payments or deposits were due as specified in any credit agreement issued in connection with such letter of credit, line of credit or insurance policy or pursuant to the repayment provisions of such letter of credit, line of credit or insurance policy, and interest on such Indebtedness after such Fiscal Year is to be assumed to be payable pursuant to the terms of such credit agreement or repayment provisions;

(ii) with respect to Long-Term Indebtedness that is Variable Rate (but not Hedged Fixed Rate) Indebtedness, the interest on such Indebtedness is to be calculated at 120% of the rate which is equal to the average of the actual interest rates which were in effect (weighted according to the length of the period during which each such interest rate was in effect) for the most recent twelve-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a twelve-month period), except that with respect to new Variable Rate Indebtedness the interest rate for such Indebtedness for the initial interest rate period is 120% of the average of the SIFMA Swap Index for last 12 whole months for which such Index is available and thereafter will be calculated as set forth above;

(iii) with respect to any Credit Facility, (a) to the extent that such Credit Facility has not been used or drawn upon, the principal and interest relating to such Credit Facility will not be included in the Long-Term Debt Service Requirement and (b) to the extent such Credit Facility has been drawn upon, the payment provisions of such Credit Facility with respect to repayment of principal and interest thereon will be included in the Long-Term Debt Service Requirement;

(iv) with respect to Derivative Indebtedness, (i) for any historical computation, the interest on such Indebtedness is to be calculated by adding (A) the amount of interest payable by the District on such Derivative Indebtedness pursuant to its terms and (B) the amount of regularly scheduled payments made by the District pursuant to the Derivative Agreement and subtracting (C) the amount of regularly scheduled payments made by the Derivative Agreement Counterparty pursuant to the Derivative Agreement; (ii) for any historical pro forma or forecasted computation, if the Derivative Agreement Counterparty has a long-term credit rating of at least "A" (without regard to any rating refinement or gradation by numerical modifier or otherwise) assigned to it by at least one Rating Agency then rating the Indebtedness and does not have a long-term rating of less than "A" (without regard to any rating refinement or gradation by numerical modifier or otherwise) from any Rating Agency then rating the Indebtedness and has not defaulted on its payment obligations thereunder as of the date of computation, the interest on such Derivative Indebtedness is to be calculated at the Hedged Fixed Rate or the Hedged Variable Rate, as the case may be; and (iii) in all other instances, the amount of interest payable by the District on such Derivative Indebtedness is to be calculated as if such Derivative Agreement had not been executed; and

(v) in the case of Indebtedness having the benefit of a Credit Facility that provides for a term loan facility that requires the payment of the principal in one year or more, the Indebtedness is to be considered Balloon Long-Term Indebtedness and is to be assumed to have the maturity schedule described in paragraph (i)(a) of this definition;

provided, however, that (i) interest is to be excluded from the determination of Long-Term Debt Service Requirement to the extent the same is provided from the proceeds of the Long-Term Indebtedness, (ii) the aggregate of the payments to be made with respect to principal and interest on Outstanding Long-Term Indebtedness will not include principal and interest payable from Qualified Escrow Funds, and (iii) principal is to be excluded from the determination of Long-Term Debt Service Requirement on Short-Term Indebtedness described in paragraph (c) under the caption " – Limitations on Indebtedness" in Appendix C.

"**Long-Term Indebtedness**" means all obligations having a maturity of a term longer than one year for borrowed money incurred or assumed by the District, including (a) Short-Term Indebtedness if secured by a Credit Facility containing a commitment to provide financing to retire such Short-Term Indebtedness and such commitment provides for the repayment of principal on terms that would, if such commitment were implemented, constitute Long-Term Indebtedness, and (b) the current portion of Long-Term Indebtedness, for any of the following:

(1) money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, longer than one year;

(2) leases that are required to be capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, longer than one year;

(3) installment sale or conditional sale contracts having an original term in excess of one year; and

(4) the Debt Service Component of Contracted Services in connection with Contracted Services rendered or provided pursuant to a contract having an original term of more than one year.

"**Net Book Value**" when used in connection with Property, Plant and Equipment or other Property, means the value of such property, net of accumulated depreciation, as recognized by the District in conformity with generally accepted accounting principles.

"**Net Revenues**" means all revenues received by the District from its Wastewater System less Operating Expenses, provided that Net Revenues will not include any Transition Charge.

"**Officer's Certificate**" means a certificate signed by a District Representative. Each Officer's Certificate presented pursuant to the Trust Agreement is to state that it is being delivered pursuant to (and is to identify the section or subsection of), and incorporate by reference and use in all appropriate instances all terms defined in, the Trust Agreement. Each Officer's Certificate is to state (i) that the terms thereof are in compliance with the requirements of the section or subsection pursuant to which such Officer's Certificate is delivered or to state in reasonable detail the nature of any non-compliance and the steps being taken to remedy such non-compliance and (ii) that it is being delivered together with any opinions, schedules, statements or other documents required in connection therewith.

"**Operating Expenses**" means those current expenses paid by the District that may be 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 excludes allowance for depreciation and amortization and expenditures for extraordinary maintenance or repair or improvements. Operating Expenses also excludes expenses for improvements that will not be owned by the District but that will, in the reasonable determination of the Commission, as evidenced by a resolution thereof, maintain or improve the integrity of the Wastewater System.

"**Opinion of Bond Counsel**" means an opinion in writing signed by an attorney or firm of attorneys acceptable to the Trustee and experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds.

"**Opinion of Counsel**" means an opinion in writing signed by an attorney or firm of attorneys who may be counsel for the District or other counsel selected by the District.

"**Outstanding**," when used with reference to Bonds or other Senior Obligations, means, as of a particular date, all Bonds and other Senior Obligations theretofore issued under the Trust Agreement, except:

(1) Bonds and other Senior Obligations theretofore cancelled by the Bond Registrar or delivered to the Bond Registrar for cancellation;

(2) Bonds and other Senior Obligations for the payment of which money, Defeasance Obligations, or a combination of both, sufficient to pay, on the date when such Bonds or other Senior Obligations are to be paid, the principal amount of, and the interest accruing to such date on, the Bonds or other Senior Obligations, as applicable, to be paid, has been deposited with the Trustee or the Bond Registrar in trust for the Holders of such Bonds or other Senior Obligations; Defeasance Obligations shall be deemed to be sufficient to pay Bonds and other Senior Obligations on a specified date if the principal of and the interest on such Defeasance Obligations, when due, will be sufficient to pay on such date the principal of, and the interest accruing on, such Bonds or other Senior Obligations to such date;

(3) Bonds and other Senior Obligations in exchange for or in lieu of which other Bonds or Senor Obligations have been issued; and

(4) Bonds and other Senior Obligations deemed to have been paid in accordance with the provisions for defeasance contained in such Bonds or Senior Obligations (See " – Defeasance" in Appendix C);

provided, however, that Bonds and other Senior Obligations owned or held by or for the account of the District or any affiliate or any subsidiary or controlled affiliate of the District shall not be deemed Outstanding Bonds or Outstanding Senior Obligations for the purpose of any consent or other action or any calculation of Outstanding Bonds or Outstanding Senior Obligations provided for in the articles of the Trust Agreement relating to default and remedies, Supplements and release of the Trust Agreement, and neither the District nor any affiliate, subsidiary or controlled affiliate of the District as registered owners of such Bonds or other Senior Obligations shall be entitled to consent or take any other action provided for in default and remedies, Supplements and release of the Trust Agreement. Notwithstanding the foregoing, Bonds or other Senior Obligations owned or held for the account of the District or an or any affiliate or any subsidiary or controlled affiliate of the District shall not be deemed to be paid unless the District delivers, or causes such Bonds or other Senior Obligations to be delivered, to the Trustee with the express written instructions of a District Representative directing the Trustee to cancel such Bonds or other Senior Obligations in accordance with the procedures set forth in the Trust Agreement.

"**Principal and Interest Requirements**" for any Fiscal Year means the sum of the Principal Requirements and Interest Requirements for such Fiscal Year.

"**Principal Payment Date**" means each date described as such in a Series Agreement.

"**Principal Requirements**" for any Fiscal Year means the amount required to pay the principal of all Senior Obligations coming due in such Fiscal Year.

"**Property**" means any and all rights, titles and interests in and to any and all property whether real or personal, tangible or intangible and wherever situated.

"**Property, Plant and Equipment**" means all Property of the District which is property, plant and equipment under generally accepted accounting principles.

"**Qualified Escrow Funds**" means amounts deposited in a segregated escrow fund, or other similar fund or account, in connection with the issuance of Indebtedness which fund is required by the documents establishing such fund to be applied toward the District's payment obligations with respect to principal, premium, if any, or interest on (a) the Indebtedness secured thereby which is issued under the documents establishing such fund or (b) Indebtedness secured thereby which was issued prior to the establishment of such fund.

"**Qualified Reserve Fund Substitute**" means (i) an irrevocable letter of credit, naming the Trustee as beneficiary, issued by any domestic or foreign bank, or any branch or agency thereof, whose long-term debt obligations are rated in one of the two highest rating categories by at least two of the Rating Agencies that will rate such obligations, or (ii) a policy of reserve fund insurance naming the Trustee as beneficiary, issued by an insurance company or financial institution whose claims paying ability is rated in one of the two highest rating categories by at least two of the Rating Agencies that rate such obligations, in either case (A) in an amount not less than the Debt Service Reserve Fund Requirement, (B) the terms of which allow the Trustee to make the draws required to fund the Debt Service Reserve Fund if and as required (See " – Debt Service Reserve Fund; Qualified Reserve Fund Substitute" in Appendix C) and (C) that provides that the issuer of which has not been given a lien on any portion of the property of the District unless such lien also secures the Bonds on a parity basis.

"**Rate Covenant**" means the rate covenant of the District set out in the Trust Agreement and described under the caption " – Rate Covenant" in Appendix C hereto.

"**Rating Agency**" or "**Rating Agencies**" means one or more of Fitch Ratings, Inc., Moody's Investors Service, Inc., or S&P Global Ratings, a division of S&P Global Inc., for so long as it is a nationally recognized statistical rating organization and any new nationally recognized statistical rating organization.

“**Senior Obligations**” means Bonds and VRA Obligations.

“**Series Agreement**” means a supplemental trust agreement entered into or the resolution adopted by the Commission providing for the issuance of Senior Obligations pursuant to the Trust Agreement. A Series Agreement will include any Officer’s Certificate delivered by a District Representative or Representatives to whom authority has been delegated by the terms of the Series Agreement to provide the details of such Series Obligations and, for purposes of additional VRA Obligations, a Series Agreement will include such resolutions adopted by the Commission or financing agreements authorized thereby specifying the details of such additional VRA Obligations.

“**Short-Term Indebtedness**” means all obligations for borrowed money, other than the current portion of Long-Term Indebtedness, incurred or assumed by the District for any of the following:

(1) money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, of one year or less;

(2) leases that are capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, of one year or less; and

(3) installment purchase or conditional sale contracts having an original term of one year or less.

“**SIFMA Swap Index**” means The Securities Industry and Financial Market Association Municipal Swap Index as of the most recent date for which such index was published or such other weekly, high-grade index comprised of seven-day, tax-exempt variable rate demand notes published by Bloomberg, or its successor, or otherwise designated by The Securities Industry and Financial Market Association; provided, however, that, if such index is no longer available or its successor, the “SIFMA Swap Index” will mean such other reasonably comparable index selected by the remarketing agent appointed by the District in connection with Variable Rate Indebtedness.

“**Subordinate Obligations**” means Indebtedness of the District the terms of which shall provide that it shall be subordinate and junior in right of payment to the prior payment in full of the Senior Obligations to the extent and in the manner set forth below:

In the event (a) of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization, arrangement or other similar proceedings in connection therewith, relative to the District or to its Property, or in the event of any proceedings for voluntary liquidation, dissolution or other winding-up of the District whether or not involving insolvency or bankruptcy, (b) any Subordinate Obligation is declared or otherwise becomes due and payable before its expressed maturity because of the occurrence of an event of default occurring under the documents pursuant to which such Subordinate Obligation is issued; and such declaration has not been rescinded and annulled, or (c) any Event of Default under the Trust Agreement shall occur and be continuing with respect to any Senior Obligation and (1) written notice of such default shall have been given to the District and (2) judicial proceedings shall be commenced in respect of such Event of Default within 180 days in the case of a default in payment of principal or interest on Senior Obligations and within 90 days in the case of any other default after the giving of such notice, then the Holders of Senior Obligations shall be entitled to receive payment in full of all principal, premium and interest on all Senior Obligations before the Holders of the Subordinate Obligations are entitled to receive any payment on account of principal or interest upon the Subordinate Obligations.

“**Supplement**” means an agreement, including a Series Agreement, supplemental to, and authorized and executed pursuant to the terms of, the Trust Agreement.

“**Tax Certificate**” means a certificate or comparable instrument of the District that contains undertakings of the District with reference to Tax-Exempt Senior Obligations.

“**Tax-Exempt**” with reference to Bonds or other Senior Obligations means any Bonds or Senior Obligations so designated in the related Series Agreement.

“**Total Operating Revenues**” means, with respect to the District, as to any period of time, total operating revenues as determined in accordance with generally accepted accounting principles.

“**Transition Charge**” means any rates, fees, charges or surcharges relating to the Wastewater System or the customers thereof established by irrevocable rate order or other action or instrument, and applicable to or by the District, in conjunction with the issuance of debt or other securities under a separate resolution, indenture or similar instrument (other than the Trust Agreement or other instrument securing Indebtedness secured by revenues of the Wastewater System) to the extent such rates, fees, charges or surcharges are pledged or otherwise encumbered or conveyed as security for such debt or other securities.

“**Trust Agreement**” means the trust agreement entered into by and between Hampton Roads Sanitation District and The Bank of New York Mellon Trust Company, N.A., as Trustee, dated as of October 1, 2011, as amended and restated as of March 1, 2016, as amended, as further amended and restated as of July 1, 2024, and effective on the Effective Date, including any Series Agreement and any other trust agreement amendatory thereto or supplemental thereto.

“**Variable Rate Indebtedness**” means any portion of Indebtedness the interest rate on which is not established at the time of incurrence at a fixed or constant rate until maturity.

“**VRA Obligations**” means the District’s VRA Obligations or other evidences of indebtedness heretofore issued, and such additional Senior Obligations issued to VRA payable on a parity with Senior Obligations issued pursuant to the Trust Agreement.

“**Wastewater System**” means the wastewater treatment system of the District, as it may at any time exist, and includes all improvements and expansions thereof and additions thereto except as may otherwise be provided by resolution of the Commission.

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT

The following is a brief summary of certain provisions of the Trust Agreement. This summary does not purport to be complete or definitive and qualified in its entirety by reference to the Trust Agreement, a copy of which is available for examination at the offices of the Trustee.

Establishment of Funds

The Trust Agreement provides for an Issuance Fund, a Construction Fund, a Bond Fund, and a Debt Service Reserve Fund. It requires that the money and securities in each Fund be held in trust by the Trustee and applied as provided in the Trust Agreement, and pending such application be subject to a lien and charge in favor of the Holders and for the further security of the Holders until paid or transferred pursuant to the Trust Agreement.

Issuance Fund and Construction Fund

The Trust Agreement requires that money in the Issuance Fund be applied to the payment of Issuance Costs incurred in connection with the issuance of the Bonds to be financed from Bond proceeds. Money in the Construction Fund will be applied to Capital Improvement Program Costs. Unexpended fund balances in the Issuance Fund and the Construction Fund will be applied as directed by the District, except as otherwise provided in the applicable Series Agreement.

The District may, in any Series Agreement, create Subfunds within the Issuance Fund and the Construction Fund or authorize the Trustee to create such Subfunds when it deems it desirable or convenient for tracking deposits and expenditures.

Bond Fund

The District will make payments directly to the Trustee for deposit in the Bond Fund in amounts sufficient to pay in full, when due, all Bonds issued under the Trust Agreement, together with the interest thereon. In the event the balance in the Bond Fund is insufficient for such purposes, upon notification by the Trustee, the District is to deliver to the Trustee an amount sufficient to cure the same. If such amount is insufficient, the Trustee is required to transfer to the Bond Fund the amount necessary to remedy the deficiency from the Debt Service Reserve Fund.

Debt Service Reserve Fund; Qualified Reserve Fund Substitute

No funds are on deposit in the Debt Service Reserve Fund as of the date of this Official Statement, and none will be deposited to the credit of the Debt Service Reserve Fund upon the delivery of the Series 2024B Bonds. If the District elects to fund the Debt Service Reserve Fund, then an amount equal to the Debt Service Reserve Fund Requirement, as the same shall be specified in a Supplement, shall be deposited to the Debt Service Reserve Fund Requirement.

The Trustee will use amounts in the Debt Service Reserve Fund to make transfers to the Bond Fund to the extent necessary to pay interest on and principal of the Bonds, whenever and to the extent that the money on deposit in the Bond Fund is insufficient for such purposes and the District has failed to cure such deficiency.

The District may, at any time, deliver to the Trustee a Qualified Reserve Fund Substitute. In such event, if the District also delivers to the Trustee a written statement setting forth the proposed use of the cash and Investment Obligations then on deposit to the credit of the Debt Service Reserve Fund, accompanied by an Opinion of Bond Counsel to the District, addressed to the Trustee, to the effect that such proposed use will not cause the interest on the Tax-Exempt Bonds to be includable in the gross income of the owners thereof for purposes of federal income taxation, the Trustee is to transfer to the District all amounts on deposit to the credit of the Debt Service Reserve Fund. If any Qualified Reserve Fund Substitute is in effect, the Trustee is to give such notices and execute such documents as required to assure that funds (i) are available in such amounts and at such times to assure timely payment of principal of and interest on the Bonds and (ii) are drawn to fund the Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Fund Requirement at least six months prior to the expiration date of the Qualified Reserve Fund Substitute unless (a) the Trustee has received a substitute Qualified Reserve Fund Substitute to replace such expiring Qualified Reserve Fund Substitute or (b) the expiration date of the expiring Qualified Reserve Fund Substitute is no earlier than the final stated maturity date of the Bonds.

Payment of Principal and Interest

The District will cause to be paid, when due, the principal of (whether at maturity, by acceleration or otherwise) and interest on the Bonds at the places, on the dates and in the manner provided in the Trust Agreement and in said Bonds; provided that it is understood that the Bonds are not general obligations of the District but are special obligations and are payable solely from Net Revenues derived by the District from its Wastewater System and the money attributable to proceeds of Bonds and the income from the investment thereof and not from any other fund or source. To secure the prompt payment of the principal and purchase price of, redemption premium, if any, and the interest on the Senior Obligations and the performance by the District of its other obligations under the Trust Agreement, the District grants to the Trustee a security interest in its Net Revenues.

Investment of Money

Money held for the credit of all funds and accounts created under the Trust Agreement is to be continuously invested and reinvested by the Trustee in Investment Obligations, to the extent practicable in accordance with the instructions of a District Representative. The Trust Agreement requires that any Investment Obligations mature not later than the respective dates when the money held for the credit of such funds or accounts will be required for the purposes intended; provided, however, that Investment Obligations deposited in the Debt Service Reserve Fund mature no later than the final maturity date of the Bonds secured by the Debt Service Reserve Fund.

Unless a Qualified Reserve Fund Substitute is in effect, the District is to reimburse the Debt Service Reserve Fund for any loss resulting from a decline in the value of Investment Obligations in which money held for the credit of the Debt Service Reserve Fund is invested if on any date of valuation the amount on deposit in the Debt Service Reserve Fund is less than the Debt Service Reserve Fund Requirement.

Investment Obligations acquired with money and credited to any fund or account established under the Trust Agreement are required to be held by or under the control of the Trustee and will be deemed at all times to be part of such fund or account in which such money was originally held. Interest accruing on such Investment Obligation and any profit or loss realized upon the disposition or maturity of such investment will be credited to or charged against such fund or account. The Trustee is required to sell at the best price attainable or reduce to cash a sufficient amount of such Investment Obligations whenever it is necessary to provide money to make any payment or transfer of money from any such fund or account. The Trustee will not be liable or responsible for any loss resulting from any such investment.

Valuation

For the purpose of determining the amount on deposit in any fund or account, Investment Obligations in which money in such fund or account is invested are to be valued (a) if such Investment Obligations mature, or are subject to redemption at the option of the holder thereof, within five years or less from the date of valuation thereof, such Investment Obligations are to be valued at amortized cost, and (b) if such Investment Obligations mature, or are subject to redemption at the option of the holder thereof, more than five years from the date of valuation thereof, such Investment Obligations are to be valued at the market value or the amortized cost thereof, whichever is lower.

The Trustee will value the Investment Obligations in the funds and accounts five Business Days prior to each Interest Payment Date. In addition, subject to prior notice, the Investment Obligations will be valued by the Trustee at any time requested by the District Representative, but not more than once in any calendar month other than as provided in the Trust Agreement.

Limitations on Indebtedness

The District may issue Additional Bonds or incur other Senior Obligations, provided that, after giving effect to all other Indebtedness incurred by the District, such Additional Bonds, other Senior Obligations and Subordinate Obligations are incurred only in the manner and pursuant to the terms set forth below:

(a) Long-Term Indebtedness may be incurred if, prior to incurrence of the Long-Term Indebtedness, there is delivered to the Trustee:

(i) an Officer's Certificate of a District Representative certifying that the Long-Term Debt Service Coverage Ratio for the most recent period of twelve (12) full consecutive calendar months preceding the date of delivery of the certificate of the District Representative for which there are Financial Statements available, adjusted for revenues and expenses resulting from anticipated new customers and any planned program of rate increases that has been approved by the Commission, taking all Long-Term Indebtedness incurred after such period and the proposed Long-Term Indebtedness into account as if such Long-Term Indebtedness had been incurred at the beginning of such period, is not less than 120%;

(ii) an Officer's Certificate of a District Representative certifying that the District is expected to comply with the Rate Covenant set forth in the Trust Agreement for the five Fiscal Years following the date of issuance of the proposed Long-Term Indebtedness. Such certificate is to be accompanied by a statement of the relevant assumptions upon which such pro forma Financial Statements for the District are based, including but not limited to, adjustments to revenues and expenses resulting from anticipated new customers and any planned program of rate increases that has been approved by the Commission;

(iii) if the Long-Term Indebtedness is authorized for any purpose other than the refunding of the outstanding Senior Obligations, an Officer's Certificate of a District Representative to the effect, and to the extent applicable, that in his or her opinion (a) the improvements or property to which the proceeds from the issuance of the Long-Term Indebtedness are to be applied will be a part of the Wastewater System, (b) the proceeds of the Long-Term Indebtedness and other specified sources will be sufficient to pay the estimated cost of such improvements or property, (c) the period of time that will be required to complete such improvements or acquire such property, and (d)(1) the proceeds of the Long-Term Indebtedness are necessary to complete the project to be financed thereby, (2) the failure to make such improvements or acquire or construct such property will result in an interruption or reduction of Net Revenues, or (3) during the first two Fiscal Years following the completion of the improvements or the acquisition of the property, the projected Net Revenues will satisfy the Rate Covenant described below. In providing this certificate, the District Representative may take into consideration future Wastewater System rate increases, provided that such rate increases have been duly approved by the Commission and any other person and entity required to give approval for the rate increase to become effective. In addition, he or she may take into consideration additional future revenues of the Wastewater System to be derived under then existing contractual agreements entered into by the District and from reasonable estimates of growth in the customer base of the District; or

(iv) an Officer's Certificate of a District Representative certifying compliance with the Rate Covenant (see " – Rate Covenant" below) for the most recent period of 12 full consecutive calendar months for which there are Financial Statements available preceding the date of delivery of the certificate; provided that the District has covenanted in the WIFIA Master Agreement not to issue Long-Term Indebtedness in reliance on the test described in this sub-paragraph (iv) during the period any WIFIA Bonds are outstanding.

(b) Long-Term Indebtedness may be incurred for the purpose of refunding Outstanding Long-Term Indebtedness if, either (i) a certificate of an independent financial advisor to the effect that, the Long-Term Indebtedness issued to refund Outstanding Senior Obligations will have, in the aggregate, a lower Long-Term Debt Service Requirement than the Long-Term Debt Service Requirement on the Senior Obligations to be refunded with the proceeds thereof, or (ii) an Officer's Certificate of a District Representative to the effect that during the first two complete Fiscal Years following the issuance of the refunding Long-Term Indebtedness, the projected Net Revenues will satisfy the Rate Covenant described under " – Rate Covenant" below. In providing the certificate described in clause (b), the Officer's Certificate may take into account the factors described in the last two sentences of subsection (a)(iii) of this Section. In addition, the Trustee shall receive an Opinion of Counsel stating that upon the incurrence of such proposed Long-Term Indebtedness and application of the proceeds thereof (on the Cross-over Date, in the case of Cross-over Refunding Indebtedness), the Outstanding Long-Term Indebtedness to be refunded thereby will no longer be Outstanding.

(c) Short-Term Indebtedness may be incurred as a Senior Obligation subject to the same tests that apply to the incurrence of Senior Obligations generally; provided, however, that notwithstanding such limitation, the District may incur as a Senior Obligation from time to time and have outstanding at any one time Short-Term Indebtedness in an amount up to 10% of its Total Operating Revenues as reflected in the Financial Statements of the District for the most recent period of twelve consecutive months for which Financial Statements are available, and provided, further, that the District may incur Short-Term Indebtedness secured by a Credit Facility without limitation. Short-Term Indebtedness may be incurred as Subordinate Obligations without compliance with the tests that apply to the incurrence of Senior Obligations.

(d) Additional VRA Obligations may be incurred by the District subject to the delivery of an Officer's Certificate of a District Representative demonstrating compliance with the incurrence test for the issuance of Long-Term Indebtedness described above in paragraphs (a) or (b) above and the Rate Covenant described below, *provided*, *however*, anything in the Trust Agreement notwithstanding, the District may make such additional covenants in a supplemental resolution, financing agreement or other agreement authorizing and securing VRA Obligations as may be required by VRA as a condition of purchasing such VRA Obligations.

(e) Subordinate Obligations may be incurred without limitation.

(f) For purposes of demonstrating compliance with the incurrence test for the issuance of Long-Term Indebtedness described above in paragraph (a), the District may (but is not required to) elect in the applicable Series Agreement to treat all or any Senior Obligations authorized in a Credit Facility (including, for example and without limitation, a self-liquidity arrangement provided by the District, a line of credit or a liquidity facility supporting a commercial paper program), but not immediately issued or incurred under such Credit Facility, as subject to such incurrence test as of a single date, notwithstanding that none, or less than all, of the authorized principal amount of such Senior Obligations have been issued or incurred as of such date.

(g) Notwithstanding the foregoing provisions regarding limitations on Indebtedness described above, nothing contained in the Trust Agreement will preclude the District from incurring any obligation under a Credit Facility.

Rate Covenant

(a) The District has covenanted and agreed in the Trust Agreement that it will fix and collect rates, fees and other charges for the use of and for services furnished or to be furnished by the Wastewater System, and will from time to time revise such rates, fees and other charges so that in each Fiscal Year the Net Revenues will equal at least 120% of the Principal and Interest Requirements. If, for any reason, the Net Revenues are insufficient to satisfy the foregoing covenant, the District shall within one hundred twenty (120) days adjust and increase its rates, fees and other charges (to the extent permitted by the Enabling Act), or reduce its operating and maintenance expenses so as to provide sufficient Net Revenues to satisfy such requirement.

(b) If at any time the District fails to comply with its Rate Covenant described in paragraph (a) above, the District is to immediately notify the Trustee, such notice also containing an Officer's Certificate of a District Representative as to (i) the amount of the deficiency in Net Revenues that existed for the applicable period and the rates, fees and other charges which must be established by the District to cure such deficiency, and (ii) during the Fiscal Year in which the certificate is delivered, the projected Net Revenues will satisfy the Rate Covenant made by the District and described in paragraph (a) above, or, if not, the rates, fees and other charges the District must establish to satisfy such rate covenant. In addition, the District agrees, to the extent permitted by law, to take appropriate action to increase its rates, fees and other charges or reduce its Operating Expenses to cure any deficiency.

(c) On or before the last day of each Fiscal Year, the District will review the adequacy of its rates, fees and other charges for the next Fiscal Year, and, if such review indicates the District's rates, fees and other charges are insufficient to satisfy the Rate Covenant described in paragraph (a) above, the District is to promptly take appropriate action to increase its rates, fees and other charges or reduce its operating and maintenance expenses to cure any deficiency.

Limitation on Creation of Liens

The District agrees that it will not create or permit the existence of any Lien on its Property or upon its Net Revenues other than Permitted Liens.

"Permitted Liens" consist of the following:

(a) Liens arising by reason of good faith deposits with the District in connection with leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by the District to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;

(b) Any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable the District to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with any workers' compensation, unemployment insurance, pension or profit sharing plans or other social security, or to share in the privileges or benefits required for companies participating in such arrangements;

(c) Any judgment lien against the District so long as such judgment is being contested in good faith and execution thereon is stayed;

(d) (i) Rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law, affecting any Property; (ii) any liens on any Property for taxes, assessments, levies, fees, water and sewer rents, and other governmental and similar charges and any liens of mechanics, materialmen, laborers, suppliers or vendors for work or services performed or materials furnished in connection with such Property, which are not due and payable or which are not delinquent or which, or the amount or validity of which, are being contested and execution thereon is stayed or, with respect to liens of mechanics, materialmen, laborers, suppliers or vendors, have been due for less than 90 days; (iii) easements, rights-of-way, servitudes, restrictions, oil, gas or other mineral reservations and other minor defects, encumbrances, and irregularities in the title to any Property which do not materially impair the use of such Property or materially and adversely affect the value thereof; (iv) to the extent that it affects title to any Property, the Trust Agreement; and (v) landlord's liens;

(e) Any Lien that was existing on the date of authentication and delivery of the first Bonds issued under the Trust Agreement (October 20, 2011); provided that no such Lien may be increased, extended, renewed or modified to apply to any Property of the District not subject to such Lien on such date or to secure Indebtedness not Outstanding on the date of issuance of such Bonds, unless such Lien as so extended, renewed or modified otherwise qualifies as a Permitted Lien under the Trust Agreement;

(f) Any lien on pledges, gifts or grants to be received in the future, including any income derived from the investment thereof;

(g) Any Lien securing Senior Obligations on a parity basis;

(h) Any Liens on Property received by the District through gifts, grants or bequests, such liens being due to restrictions on such gifts, grants or bequests of Property or the income thereon;

(i) Any Lien on moveable equipment securing Indebtedness incurred to purchase such moveable equipment, provided that the total of such Indebtedness does not exceed 15% of the Net Book Value of the Property, Plant and Equipment of the District as shown on the Financial Statements for the prior Fiscal Year; and

(j) Any Lien on Net Revenues securing Subordinate Indebtedness; provided that such Lien is expressly subordinate and junior to the Lien on Net Revenues granted to the Trustee for the payment of principal of, redemption premium, if any, and the interest on the Senior Obligations and to secure the prompt payment of the and the performance by the District of its other obligations under the Trust Agreement.

Designation of Funds

No later than the last Business Day of each month, the District will specifically earmark cash, cash equivalents or marketable securities or any combination thereof in an amount equal to the interest on and the principal of Bonds that will accrue in the next month, taking into account any scheduled maturities of interest or principal scheduled to become due and payable in such month and the funds theretofore earmarked for such purpose. The District may assume that both interest and principal accrue daily from the prior payment date or date of issuance but not more than 12 months prior to a payment date.

Maintenance of Properties

The District covenants in the Trust Agreement:

(a) At all times, to cause its Property to be maintained, preserved and kept in good repair, working order and condition and all needed and proper repairs, renewals and replacements thereof to be made; provided, however, that nothing described in this paragraph (a) will be construed to (i) prevent it from ceasing to operate any portion of its Property, if in its judgment (supported, in the case of such a cessation other than in the ordinary course of business by an opinion or certificate of an Independent Consultant) it is advisable not to operate the same, or if it intends to sell or otherwise dispose of the same and within a reasonable time endeavors to effect such sale or other disposition, or (ii) obligate it to retain, preserve, repair, renew or replace any Property, leases, rights, privileges or licenses no longer used or, in the judgment of the Commission, useful in the conduct of its business;

(b) To do all things reasonably necessary to conduct its affairs and carry on its business and operations in such manner as to comply with any and all applicable laws of the United States and the Commonwealth of Virginia and duly observe and conform to all valid orders, regulations or requirements of any governmental authority relative to the conduct of its business and the ownership of its Properties; provided, nevertheless, that nothing contained in the Trust Agreement requires it to comply with, observe and conform to any such law, order, regulation or requirement of any governmental authority so long as the validity thereof or the applicability thereof to it is contested in good faith;

(c) To pay promptly all lawful taxes, governmental charges and assessments at any time levied or assessed upon or against it or its Property; provided, however, that it will have the right to contest in good faith any such taxes, charges or assessments or the collection of any such sums and pending such contest may delay or defer payment thereof;

(d) To pay promptly or otherwise satisfy and discharge all of its Indebtedness and all demands and claims against it as and when the same become due and payable, other than any thereof (exclusive of the Indebtedness created and Outstanding under the Trust Agreement) whose validity, amount or collectability is being contested in good faith;

(e) At all times to comply with all terms, covenants and provisions of any Liens at such time existing upon its Property or any part thereof or securing any of its Indebtedness; and

(f) To procure and maintain all necessary licenses and permits for the operation of its Wastewater System;

provided, however, that it need not comply with the covenants described in this section if and to the extent that the Commission determines in good faith, evidenced by a resolution of the Commission, that such compliance is not in its best interests and that lack of such compliance would not materially impair its ability to pay its Indebtedness when due.

Insurance

(a) The District agrees that it will maintain, or cause to be maintained, the following types of insurance, subject to the provisions described in subsection (b) below, in such amounts as, in its judgment, are adequate to protect it and its Property and operations from material financial loss: (i) comprehensive general liability insurance, and (ii) property coverage on an "all risk" basis.

(b) If the District is self-insured (excluding deductibles) for any coverage described in (a) above, the District is to provide the Trustee a report of an Independent Insurance Consultant selected by the District not less than every three years, which report is to state whether the anticipated funding of any self-insurance fund is sufficient, and if not, the required funding to obtain such result, and any such self-insurance coverage will be reviewed by the Independent Insurance Consultant not less frequently than annually. If the Independent Insurance Consultant determines in any such report that the anticipated funding of any self-insurance fund is not sufficient, the District covenants that it will undertake to fund such self-insurance fund in the manner recommended by the Independent Insurance Consultant.

Insurance and Condemnation Proceeds

(a) Amounts that do not exceed 20% of the Net Book Value of the Property, Plant and Equipment of the District received by the District as insurance proceeds with respect to any casualty loss or as condemnation awards may be used in such manner as the District may determine, including, without limitation, applying such money to the partial payment or prepayment of any Indebtedness in accordance with the terms thereof and of any pertinent Supplement.

(b) Amounts that exceed 20% of the Net Book Value of the Property, Plant and Equipment received by the District as insurance proceeds with respect to any casualty loss or as condemnation awards will be applied in such manner as the District may determine; provided, however, that the District is to notify the Trustee and within 12 months after the casualty loss or taking, deliver to the Trustee a report of an Independent Consultant stating the Independent Consultant's recommendations, including recommendations as to the use of such proceeds or awards, to cause the Long-Term Debt Service Coverage Ratio for each of the two periods of 12 full consecutive calendar months following the date on which such proceeds or awards are expected to have been fully applied to be not less than 120%, or, if in the opinion of the Independent Consultant the attainment of such level is impracticable, at the highest practicable level.

Annual Budget

The District covenants that on or before the first day of the last month preceding the beginning of each Fiscal Year the Commission will adopt a budget of operating and non-operating revenues and expenses for the ensuing Fiscal Year.

Events of Default

Events of Default under the Trust Agreement are as follows: (a) payment of the purchase price of any Bond shall not be made by the District when the same shall become due and payable; or (b) payment of any installment of interest on any Bond is not made by the District when the same becomes due and payable; or (c) payment of the principal of any Bond is not made by the District when the same becomes due and payable, whether at maturity or by acceleration or otherwise; or (d) default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Trust

Agreement or any Supplement to the Trust Agreement, including any covenant, condition, agreement or provision in the Trust Agreement applicable to the District and incorporated by reference in the Trust Agreement, and such default continues for 30 days after receipt by the District of a written notice from the Trustee specifying such default and requiring the same to be remedied; provided, however, if prior to the expiration of such 30 day period the District institutes action reasonably designed to cure such default, no Event of Default is to be deemed to have occurred upon the expiration of such 30-day period for so long as the District pursues such curative action with reasonable diligence and provided that such curative action can be completed within a reasonable time.

Remedies for Default

Upon the happening and continuance of an Event of Default, the Trustee may take the following remedial steps: (i) in the case of an Event of Default described in clauses (a), (b) or (c) under " – Events of Default" above, the Trustee may take whatever action at law or in equity is necessary or desirable to collect the payments then due under the Trust Agreement or the Bonds; and (ii) in the case of an Event of Default described in clause (d) under " – Events of Default" above, the Trustee may take whatever action at law or in equity is necessary or desirable to enforce performance, observance or compliance by the District with any covenant, condition, agreement or provision under the Trust Agreement.

Upon the happening and continuance of an Event of Default, the Trustee may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of Bonds then Outstanding is required to, by notice in writing to the District, declare the principal of all Bonds then Outstanding (if not then due and payable) to be due and payable immediately.

However, if at any time after the principal of Bonds has been declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Trust Agreement, (i) money has accumulated in or has been paid into the Bond Fund sufficient to pay the principal of all matured Bonds and all arrears of interest, if any, upon all Bonds then Outstanding (except the principal of any Bond not then due and payable by its terms and the interest accrued on such Bond since the last Interest Payment Date), and the charges, compensations, expenses, disbursements, advances and liabilities of the Trustee and (ii) all amounts then payable by the District under the Trust Agreement have been paid or a sum sufficient to pay the same has been deposited with the Trustee, and (iii) every other default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Bonds or in the Trust Agreement (other than a default in the payment of the principal of such Bonds then due only because of a declaration of acceleration of maturities) has been remedied to the satisfaction of the Trustee, then the Trustee may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of Bonds not then due and payable by their terms (Bonds then due and payable only because of a declaration of acceleration will not be deemed to be due and payable by their terms) and then Outstanding is required to, by written notice to the District, rescind and annul such declaration and its consequences, but no such rescission or annulment will extend to or affect any subsequent Event of Default or impair any right consequent thereon.

Upon the happening and continuance of an Event of Default, the Trustee may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of Bonds then Outstanding, and upon satisfactory indemnification, is required to, proceed either at equity or at law, or by proceedings in the office of any board or officer having jurisdiction to protect and enforce its rights and the rights of the Holders under the laws of the Commonwealth of Virginia or under the Trust Agreement as the Trustee, being advised by counsel chosen by the Trustee, deems most effectual to protect and enforce such rights. The Holders of not less than a majority in aggregate principal amount of Bonds then Outstanding, upon indemnification satisfactory to the Trustee, have the right to direct the method and place of all remedial proceedings to be taken by the Trustee, provided that such direction is in accordance with law and the provisions of the Trust Agreement.

Restrictions upon Actions by Individual Holders

Except for the right of any Holder to enforce the payment of the principal of and interest on such Holder's Bond, no Holder will have any right to institute any suit, action or proceeding in equity or at law on any Bond or for the execution of any trust under the Trust Agreement or for any other remedy under the Trust Agreement unless (a) such Holder previously has given to the Trustee written notice of the particular Event of Default, (b) also the Holders of not less than a majority in aggregate principal amount of Bonds then Outstanding have made a request of the Trustee after the right to exercise such powers or right of action has accrued, and such Holder has afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Trust Agreement or to institute such action, suit or proceedings in its or their name, and (c) there has been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities (including attorney's fees, costs and expenses to be incurred therein or thereby, and the Trustee has refused or neglected to comply with such request within a reasonable time. Notwithstanding the foregoing provisions and without complying therewith, the Holders of not less than a majority in aggregate principal amount of Bonds then Outstanding may institute any such suit, action or proceeding in their own names for the benefits of all Holders of the Bonds.

Notice of Default to Holders

The Trustee is required to give written notice to all Holders of the occurrence of any Event of Default within 30 days after the Trustee has actual notice thereof, provided, however, except upon the occurrence of an Event of Default due to failure by the District to make payments of any installment of interest on or principal or purchase price of any Bond when the same become due and payable within 30 days after the Trustee received notice of the same, the Trustee may withhold such notice to the Holders if in its opinion such withholding is in the interest of the Holders.

Pro-Rata Application of Funds

Notwithstanding anything in the Trust Agreement to the contrary, if at any time the money in the Bond Fund is not sufficient to pay the interest on or the principal of Bonds as the same become due and payable (either by their terms or by acceleration of maturities under the provisions of the Trust Agreement), such money, together with any money then available or thereafter becoming available for such purpose, is to be applied, subject to the compensation and indemnification to the Trustee and Bond Registrar, as follows:

(a) if the principal of all Bonds has not become or has not been declared due and payable, all such money in the Bond Fund is to be applied:

first: to the payment to the persons entitled thereto of all installments of interest on Bonds then due and payable in the order in which such installments became due and payable and, if the amount available is not sufficient to pay in full any particular installment, then to the payment, ratably according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in such Bonds;

second: to the payment to the persons entitled thereto of the unpaid principal of any Bonds that have become due and payable (other than Bonds called for redemption for the payment of which money is held pursuant to the provisions of the Trust Agreement), in the order of their due dates, and, if the amount available is not sufficient to pay in full the principal of Bonds due and payable on any particular date, then to the payment ratably according to the amount of such principal due on such date, to the persons entitled thereto without any discrimination or preference; and

third: to the payment of the interest on and the principal of Bonds, to the purchase and retirement of Bonds due to the redemption of Bonds in accordance with the Trust Agreement and the applicable Series Agreement.

(b) If the principal of all Bonds has become or has been declared due and payable, all such money is to be applied to the payment of principal and interest then due upon the Bonds without preference to the persons entitled thereto, without preference or priority of principal over interest or interest over principal, or of any installment of interest over any other installment of interest or any Bond over any other Bond ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or preference.

(c) If the principal of all Bonds has been declared due and payable and if such declaration is thereafter rescinded and annulled due to the remediation of an Event of Default, then, subject to the provisions described in paragraph (b) of this section, in the event that the principal of all Bonds later becomes due and payable or is declared due and payable, the money then remaining in and thereafter accruing to the Bond Fund is to be applied in accordance with the provisions described in paragraph (a) above.

Supplemental Trust Agreements without Consent of Holders

The District and the Trustee may without the consent of or notice to any of the Holders, enter into agreements supplemental to the Trust Agreement as are substantially consistent with the terms and provisions of the Trust Agreement:

(a) to cure any ambiguity or formal defect or omission, to correct or supplement any provision of the Trust Agreement that may be inconsistent with any other provision of the Trust Agreement, to make any other provisions with respect to matters or questions arising under the Trust Agreement, or to modify, alter, amend, add to or rescind, in any particular, any of the terms or provisions contained in the Trust Agreement, or

(b) to grant to or confer upon the Trustee for the benefit of the Holders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Holders or the Trustee, or

(c) to add to the provisions of the Trust Agreement other conditions, limitations and restrictions thereafter to be observed, or

(d) to add to the covenants and agreements of the District in the Trust Agreement other covenants and agreements thereafter to be observed by the District or to surrender any right or power reserved in the Trust Agreement to or conferred upon the District, or

(e) to permit the qualification of the Trust Agreement under any federal statute now or hereafter in effect or under any state Blue Sky law, and, in connection therewith, if the District so determines, to add to the Trust Agreement or any supplemental trust agreement such other terms, conditions and provisions as may be permitted or required by such federal statute or Blue Sky law, or

(f) to provide for the issuance of Bonds under a book-entry system, or

(g) to make any other change in the Trust Agreement that, in the judgment of the District, expressed in a resolution of the Commission, and the Trustee, each of which may rely upon a written Opinion of Counsel, will not materially and adversely affect the Holders of the Bonds of each series that will be affected by such supplement.

Modification of Trust Agreement with Consent of Holders

The Holders of not less than a majority of the aggregate principal amount of Bonds then Outstanding will have the right to consent to and approve the execution and delivery by the District and the acceptance by the Trustee of such trust agreement or trust agreements supplemental to the Trust Agreement as deemed necessary or desirable by the District for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, the Trust Agreement; provided, however, that nothing contained in the Trust Agreement will permit, or be construed as permitting (a) an extension of the maturity of the principal of or the interest on any Bonds issued under the Trust Agreement without the consent of the Holders of such Bonds, or (b) a reduction in the principal amount of any Bonds or the rate of interest thereon without the consent of the Holders of such Bonds, or (c) the creation of a pledge of receipts and revenues superior to the pledge created by the Trust Agreement without the consent of the Holders of all Bonds Outstanding, or (d) a preference or priority of any Bond over any other Bond without the consent of the Holders of all Bonds Outstanding, or (e) a reduction in the aggregate principal amount of Bonds required for consent to such supplemental trust agreement without the consent of the Holders of all Bonds Outstanding.

If the District requests the Trustee to enter into any supplemental trust agreement described in the immediately preceding paragraph, the Trustee will cause notice of the proposed supplemental trust agreement to be mailed to all Holders. If the Holders of not less than a majority in aggregate principal amount of Bonds Outstanding at the time of the execution of such supplemental trust agreement have consented to and approved the execution, no Holder will have any right to object to the adoption of such supplemental trust agreement.

Defeasance

(a) When the Bonds become due and payable and the whole amount of the principal and the interest so due and payable upon all Bonds is required to be paid, and (b) if the Bonds have not become due and payable, the Trustee or the Bond Registrar holds, sufficient money or Defeasance Obligations, or a combination of money and Defeasance Obligations, the principal of and the interest on which, when due and payable, will provide sufficient money to pay the principal of, and the interest on, all Bonds then Outstanding to the maturity date or dates of such Bonds and (c) sufficient funds also have been provided or provision has been made for paying all other obligations payable under the Trust Agreement by the District, then and in that case the right, title and interest of the Trustee in the funds and accounts mentioned in the Trust Agreement will thereupon cease, determine and become void and, on demand of the District and upon being furnished with an opinion, satisfactory to the Trustee, of counsel approved by the Trustee, to the effect that all conditions precedent to the release of the Trust Agreement have been satisfied, the Trustee will release the Trust Agreement and will execute such documents to evidence such release as may reasonably be required by the District and will turn over to the District any surplus in, and all balances remaining in, all funds and accounts.

Otherwise, the Trust Agreement will continue to be and remain in full force and effect; provided, that, in the event Defeasance Obligations are deposited with and held by the Trustee or the Bond Registrar as provided for above, (i) the Trustee will nevertheless retain such rights, powers and privileges under the Trust Agreement as may be necessary and convenient in respect of the Bonds for the payment of the principal and interest for which such Defeasance Obligations have been deposited, and (ii) the Bond Registrar will retain such rights, powers and privileges under the Trust Agreement as may be necessary and convenient for the registration, transfer and exchange of Bonds.

Release of Eleventh Supplemental Trust Agreement

When (a) the Series 2024B Bonds have become due and payable in accordance with their terms or otherwise as provided in the Eleventh Supplemental Trust Agreement, the whole amount of the principal and the interest so due and payable upon all Series 2024B Bonds is paid, (b) if the Series 2024B Bonds have not become due and payable in accordance with their terms, the Trustee or the Bond Registrar holds, sufficient money or Defeasance Obligations, or a combination of money and Defeasance Obligations, the principal of and the interest on which, when due and payable, will provide sufficient money to pay the principal of, and the interest on, all Series 2024B Bonds then Outstanding to the maturity date or dates of such Series 2024B Bonds and (c) sufficient funds also have been provided or provision made for paying all other obligations payable under the Eleventh Supplemental Trust Agreement by the District, then and in that case the right, title and interest of the Trustee in the funds and accounts mentioned in the Eleventh Supplemental Trust Agreement will thereupon cease, determine and become void and, on demand of the District and upon being furnished with an opinion, in form and substance satisfactory to the Trustee, of Bond Counsel, to the effect that all conditions precedent to the release of the Eleventh Supplemental Trust Agreement and the defeasance of the Series 2024B Bonds have been satisfied, the Trustee is to release the Eleventh Supplemental Trust Agreement and is to execute such documents to evidence such release as may reasonably be required by the District and, subject to the provisions of the Trust Agreement, is to turn over to the District any surplus in, and all balances remaining in, all funds and accounts.

Removal of Trustee

The Trustee may be removed at any time by an instrument or concurrent instruments in writing, (i) executed by the Holders of not less than a majority in aggregate principal amount of Bonds then Outstanding and filed with the District, or (ii) so long as no Event of Default has occurred and is continuing, an instrument executed by the District, not less than 60 days before such removal is to take effect as stated in said instrument or instruments. The Trustee may also be removed at any time for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provisions of the Trust Agreement with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the District or the Holders of not less than a majority in aggregate principal amount of Bonds then Outstanding.

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APPENDIX D

PROPOSED OPINION OF BOND COUNSEL

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APPENDIX D

PROPOSED OPINION OF BOND COUNSEL

August 8, 2024

Hampton Roads Sanitation District Commission
Virginia Beach, Virginia

We have examined Chapter 66 of the Acts of Assembly of Virginia of 1960, as amended (the "Act"), and certified copies of the proceedings of the Hampton Roads Sanitation District Commission (the "Commission"), the governing body of Hampton Roads Sanitation District (a political subdivision of the Commonwealth of Virginia and herein sometimes called the "District"), authorizing the execution and delivery of the trust agreement, by and between Hampton Roads Sanitation District and The Bank of New York Mellon Trust Company, N.A., as Trustee, dated as of October 1, 2011, as amended and restated as of March 1, 2016, as amended, as further amended and restated as of July 1, 2024 (the "Amended and Restated Trust Agreement"), as supplemented by the Eleventh Supplemental Trust Agreement, dated as of August 1, 2024 (the "Eleventh Supplemental Trust Agreement" and together with the Amended and Restated Trust Agreement, as so supplemented and as the same may be amended and further supplemented, the "Trust Agreement"), each by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), and the issuance of

$240,775,000
HAMPTON ROADS SANITATION DISTRICT

Wastewater Revenue Bonds,
Series 2024B

Dated, maturing, subject to redemption, and bearing interest,
all as provided in the Trust Agreement.

Pursuant to the Trust Agreement, as security for the payment of the amounts due on the above-captioned bonds (the "Bonds"), the District has pledged its Net Revenues to the Trustee. The District's Net Revenues consist of all revenues derived by the District from the Wastewater System (as defined in the Trust Agreement) except such part of such revenues as may be required to pay the cost of maintaining, repairing and operating such Wastewater System.

For purposes of the opinions in paragraphs 1, 2 and 3 below, we have relied upon the opinion of Sands Anderson PC to the effect that the resolutions of the Commission authorizing the Bonds and approving the Trust Agreement were duly adopted.

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

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

1. The Bonds have been duly authorized, executed and issued for the purpose of providing funds, together with other available funds, to finance certain improvements included as part of the District's Capital Improvement Program and to pay certain costs of issuing the Bonds.

2. The Trust Agreement has been duly authorized and executed by the District and, assuming due authorization and execution by the Trustee, is a valid, binding and enforceable obligation of the District in accordance with its terms.

3. As provided by the Act, the Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, shall be free and exempt from taxation by the Commonwealth of Virginia and any political subdivision thereof. The Bonds are valid and binding special obligations of the District payable solely from the Net Revenues and other funds pledged as security therefor under the Trust Agreement.

4. The Bonds do not constitute a debt of the Commonwealth of Virginia or of any county, city, town or political subdivision thereof, or a pledge of the faith and credit of the Commonwealth of Virginia or of any county, city, town or political subdivision thereof. The issuance of the Bonds does not directly or indirectly or contingently obligate the Commonwealth of Virginia or any county, city, town or political subdivision thereof to levy or to pledge any form of taxation whatever therefor.

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

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

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

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

Respectfully submitted,

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

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APPENDIX E

FORM OF
CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement"), dated as of August 8, 2024, is executed and delivered by Hampton Roads Sanitation District (the "District") in connection with the issuance by the District of its Wastewater Revenue Bonds, Series 2024B (the "Bonds"), pursuant to the provisions of the trust agreement, by and between the District and The Bank of New York Mellon Trust Company, N.A., as Trustee, dated as of October 1, 2011, as amended and restated as of March 1, 2016, as amended, as further amended and restated as of July 1, 2024 (the "Amended and Restated Trust Agreement"), as supplemented by the Eleventh Supplemental Trust Agreement, dated as of August 1, 2024 (the "Eleventh Supplemental Trust Agreement" and together with the Amended and Restated Trust Agreement, as so supplemented, and as the same may be amended and further supplemented, the "Trust Agreement"), by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee. The proceeds of the Bonds are being used by the District to provide funds to finance certain improvements included as part of the District's Capital Improvement Program. The District hereby covenants and agrees as follows:

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

SECTION 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

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

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

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

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

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

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

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

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) modifications to rights of security holders, if material;

(viii) bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the District;

(xiii) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and appointment of a successor or additional paying agent or the change of name of a paying agent, if material;

(xiv) appointment of a successor or additional paying agent or the change of name of a paying agent, if material;

(xv) incurrence of a Financial Obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders, if material; and

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

For these purposes, (a) any event described in the immediately preceding paragraph (xii) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the District in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District, and (b) the District intends the words used in the immediately preceding paragraphs (xv) and (xvi) and the definition of Financial Obligation in this Section 2 to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

"MSRB" means the Municipal Securities Rulemaking Board.

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

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

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

SECTION 3. Provision of Annual Reports.

A. The District shall, or shall cause the Dissemination Agent to, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Such Annual Report shall be filed on a date (the "Filing Date") that is not later than December 31 after the end of any Fiscal Year (commencing with its Fiscal Year ended June 30, 2024). Not later than ten (10) days prior to the Filing Date, the District shall provide the Annual Report to the Dissemination Agent (if applicable). In such case, the Annual Report (i) may be submitted as a single document or as separate documents comprising a package, (ii) may cross-reference other information as provided in Section 4 of this Disclosure Agreement and (iii) shall include the District's audited financial statements or, if audited financial statements are not available, such unaudited financial statements as may be required by the Rule. In any event, audited financial statements of the District must be submitted, if and when available, together with or separately from the Annual Report.

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

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

SECTION 4. Content of Annual Reports. Except as otherwise agreed, any Annual Report required to be filed hereunder shall contain or incorporate by reference, at a minimum, annual financial information relating to the District, including operating data, updating such information relating to the

District as described in Exhibit A, all with a view toward assisting the Participating Underwriters in complying with the Rule.

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

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

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

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

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

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

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

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

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

HAMPTON ROADS SANITATION DISTRICT

By: ____
Deputy General Manager and
Chief Financial Officer

EXHIBIT A

CONTENT OF ANNUAL REPORT
HAMPTON ROADS SANITATION DISTRICT

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

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

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

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

EXHIBIT B

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

Re: HAMPTON ROADS SANITATION DISTRICT
WASTEWATER REVENUE BONDS,
SERIES 2024B

CUSIP NO.: 409327 _____

Bonds Dated: August 8, 2024

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

Dated: ________________

HAMPTON ROADS SANITATION DISTRICT

By ____________________________________

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APPENDIX F

THE DEPOSITORY TRUST COMPANY

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APPENDIX F

THE DEPOSITORY TRUST COMPANY

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

Purchases of Series 2024B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2024B Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2024B Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2024B Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2024B Bonds, except if use of the book-entry system for the Series 2024B Bonds is discontinued.

To facilitate subsequent transfers, all Series 2024B Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2024B Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2024B Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2024B Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Redemption notices shall be sent to DTC. If less than all of the Series 2024B Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2024B Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2024B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the Series 2024B Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

HRSD