

**MIDDLE PENINSULA PLANNING
DISTRICT COMMISSION**

**AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

DUNHAM, AUKAMP & RHODES, PLC
Certified Public Accountants
Chantilly, Virginia

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

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MIDDLE PENINSULA PLANNING DISTRICT COMMISSION
BOARD OF COMMISSIONERS

Edwin E. Smith, Jr. - Essex County
John Magruder – Essex County
Sarah Pope - Essex County
Michael Lombardo – Essex County
Ashley C. Chriscoe - Gloucester County
Michael Winebarger - Gloucester County
Dr. William G. Reay - Gloucester County
Brent Fedors - Gloucester County
Carol Steele – Gloucester County
Sherrin C. Alsop - King and Queen County
R. F. Bailey - King and Queen County
Thomas J. Swartzwelder - King and Queen County
Ed Moren - King William County
Travis J. Moskalski - King William County
Otto Williams - King William County
Melissa Mason - Mathews County
Michael Rowe – Mathews County
Tim Hill - Mathews County
Wayne Jessie – Middlesex County
Reggie Williams – Middlesex County
Gordon White – Middlesex County
Matt Walker – Middlesex County
Roy M. Gladding - Town of Tappahannock
Marjorie Austin - Town of Urbanna
James Pruett - Town of West Point
John Edwards - Town of West Point

Dunham, Aukamp & Rhodes, PLC
Certified Public Accountants

4437 Brookfield Corporate Dr., Suite 205-D
Chantilly, VA 20151

INDEPENDENT AUDITOR'S REPORT

To the Commissioners
Middle Peninsula Planning District Commission
Saluda, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Middle Peninsula Planning District Commission, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Middle Peninsula Planning District Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Middle Peninsula Planning District Commission as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension disclosures on pages 4 - 7, page 33, and pages 36 - 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

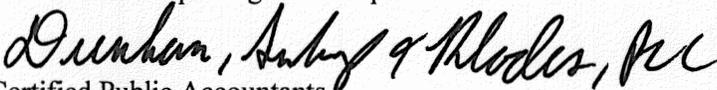
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Middle Peninsula Planning District Commission's basic financial statements. The schedule of revenues and expenses by program on pages 31 – 32 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of revenues and expenses by program is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 schedule of revenues and expenditures by program is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2022, on our consideration of Middle Peninsula Planning District Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Middle Peninsula Planning District Commission's internal control over financial reporting and compliance.


Certified Public Accountants
Chantilly, Virginia

February 28, 2022

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the annual financial report of the Middle Peninsula Planning District Commission (the "Commission"), management provides a narrative discussion and an analysis of its financial activities for the fiscal year that ended June 30, 2021. Responsibility for the accuracy of the data as well as the completeness and fairness of this presentation (including all disclosures) rests with management. To the best of our knowledge and belief, the data contained herein is accurate in all material respects. This data is reported in a manner designed to fairly represent the Commission's financial position and the result of operations of its various funds. All disclosures necessary to enable the reader to gain an accurate understanding of the Commission's financial activities have been included. The Commission's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Overview of the Financial Statements

The financial statements presented herein included all of the activities of the Commission using the integrated approach as prescribed by GASB Statement No. 34. Management's Discussion and Analysis (MD&A) is intended to introduce the Commission's financial statements. In addition to this Management's Discussion and Analysis (MD&A), the report consists of the enterprise fund financial statements, and the notes to the financial statements. These financial statements are designed to be more corporate-like in that all activities of the Commission are considered to be business-type activities.

Required Financial Statements

The Statement of Net Position focuses on resources available for future operations. In simple terms, this statement presents a snap shot view of the assets the Commission has, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. Business-type activities are reported on the accrual basis of accounting. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position details the Commission's revenues and expenses by functional type, and the net operating result of the current year. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

The Statement of Cash Flows shows the cash flows from the Commission's operating, capital and related financing, and investing activities.

The notes to the financial statements provide additional disclosure required by governmental accounting standards and provide information to assist the reader in understanding the Commission's financial condition.

The MD&A is intended to explain the significant changes in financial position and the differences in operation between the current year and prior years. Significant changes from the prior year are explained in the following paragraphs.

Financial Analysis

Summary Statements of Net Position June 30,

	<u>2021</u>	<u>2020</u>
Current Assets	\$1,189,717	\$ 914,425
Loans Receivable	319,637	201,689
Capital Assets (net)	<u>43</u>	<u>2,574</u>
Total Assets	<u>1,509,397</u>	<u>1,118,688</u>
Deferred Outflows of Resources	<u>51,732</u>	<u>28,176</u>
Current Liabilities	424,913	185,376
Long-Term Liabilities	<u>455,806</u>	<u>293,037</u>
Total Liabilities	<u>880,719</u>	<u>478,413</u>
Deferred Inflows of Resources	<u>4,039</u>	<u>67,268</u>
Invested in Capital Assets	43	2,574
Unrestricted	<u>676,328</u>	<u>598,609</u>
Total Net Position	<u>\$ 676,371</u>	<u>\$ 601,183</u>

Current assets increased during the year by approximately \$275,000 primarily due to an increase in accounts receivable of \$80,000 as the Commission was delayed in collections on billings, and a decrease in cash of \$82,300 as a result in that delay.

Loans receivable decreased approximately \$118,000 during the year as a result of repayments on various revolving loan programs.

Deferred outflows of resources associated with the differences in projected and actual experience of the pension plan was increased by approximately \$23,000 during the year.

Current liabilities increased approximately \$239,000 during the year primarily as a result of a timing difference in payments on accounts payable.

Deferred inflows of resources associated with the differences in projected and actual experience of the pension plan and differences between projected and actual earnings of the plan assets was reduced by \$63,000 during the year.

Long-term liabilities increased by approximately \$163,000 during the current year, as the Commission continued its septic repair and living shoreline loan programs financed through the Virginia Resources Authority. VRA loans have a delayed payback period of 2-3 years.

Total net position increased by approximately \$75,188 this year.

**Summary Statements of Activities
For the Years Ended June 30,**

	<u>2021</u>	<u>2020</u>
Revenues		
Operating revenues	\$1,768,814	\$865,737
Interest	<u>12,661</u>	<u>10,351</u>
Total Revenues	<u>1,781,475</u>	<u>876,088</u>
Expenses		
General and administration	84,647	109,085
Project costs	<u>1,644,532</u>	<u>811,739</u>
Total Expenses	<u>1,729,179</u>	<u>902,824</u>
GASB 68 pension benefit	<u>22,892</u>	<u>43,388</u>
Change in net position	75,188	(1,348)
Net position at beginning of year	<u>601,183</u>	<u>602,531</u>
Net position at end of year	<u>\$ 676,371</u>	<u>\$601,183</u>

Operating revenues increased by approximately \$903,000 and project expenses increased by approximately \$833,000 from the prior year. The Commissions work program and local businesses greatly benefited by Federal COVID pandemic funding. COVID funding financially helped local business owners across the Middle Peninsula. Commission staff working in concert with locality staff developed the *Back to Business Program* which encouraged any local business with federally qualified expenses to request reimbursement for those expenses. Each member locality requested customized programmatic assistance unique to their local needs. Commission staff delivered both programmatic and financial assistance. Additionally, new funding was provided to the Commission by the Virginia Port Authority or through the Public Access Authority directing Commission staff to study and propose a Middle Peninsula Local Government Dredging Implementation Business Plan as well as the contract with VIMS Shoreline Studies program to prepare dozens of Middle Peninsula creeks as “Shovel Ready” projects for future dredging. Results of this plan and studies is anticipated to help shape how dredging projects will be funded going forward.

It is not uncommon for these figures to change substantially from year to year due to differences in the Commission’s work program based on changes in the Commission’s priorities and the availability of funding to implement the work program. Being positioned to respond to unique Federal and State funding opportunities is a cornerstone of the Commission’s success.

In FY 2021 actual operating revenues were under the budgeted amount by approximately \$139,000 as several projects were delayed due to forces beyond the Commission’s control such as staffing changes, and unavoidable pandemic delays by project partners. Local grant revenues were under budget by \$156,000 for the same reasons.

Actual expenses exceeded budgeted expenses for personnel costs by approximately \$14,000 as a result of the Commission’s performance compensation program whereby management is authorized to obtain additional funding to enable and enhance the Commission’s work program and increase staff salaries proportionately as additional funding is obtained. The ability to allow for a fluctuation in personnel costs based on availability of funding allows for greater flexibility in applying for additional funding to advance the Commission’s priorities without increased staffing.

Actual promotion and advertising costs were lower than budget by \$21,000 as a result of a budget cut from the DRPT TDM Operating project.

Website and internet costs were \$15,000 lower than budgeted because we did not require as much anticipated IT support as in previous years. Also, we have an agreement with our IT person that if she does not invoice in time that we are not required to pay more than our monthly retainer.

Capital Assets

The capital assets in the governmental funds consist of computer equipment and vehicles used in the business-type activities of the Commission.

Long-Term Debt

Long-term debt consists of four loans from the Virginia Water Facilities Revolving Fund. In 2011 the Commission received a \$250,000 loan from the Virginia Water Facilities Revolving Fund to increase the revolving loan fund for wastewater loans. This loan consisted of a \$125,000 no interest loan and a \$125,000 “principal forgiveness” loan. As of June 30, 2021, \$125,000 had been drawn on this loan and an additional \$125,000 on the “principal forgiveness loan”. This loan has been reduced by regular annual payments to \$25,000. During FY2016 the Commission received another loan in the amount of \$250,000 loan from the Virginia Water Facilities Revolving Fund to increase the revolving loan fund for wastewater loans. As of June 30, 2021, \$236,774 had been drawn on this loan but through regular annual payments has been reduced to \$97,293. A third loan in the amount of a \$250,000 loan from the Virginia Water Facilities Revolving Fund to capitalize the new revolving loan fund for living shoreline projects was settled in FY2018. As of June 30, 2021, \$250,000 has been drawn down on this loan but through regular annual payments has been reduced to \$208,333. In FY2021, a new loan from Virginia Water Facilities Revolving Fund in the amount of \$175,000 was received to provide additional capital for the Living Shorelines Project. As of June 30, 2021, \$80,910 has been drawn down on this loan.

Economic Factors and Future Outlook

Presently, management of the Commission is aware of the changing federal, state, regional and local economic climate and is working to comprehensively understand, address and plan for the future security of the Commission consistent with the evolving new economic model and the cumulative effects of the Pandemic on the work program of the Commission. Management realizes the challenges posed to the organization by the high dependency on grants to fund operations especially during periods of economic stress and continues to explore other options to fund its essential programs including increased local funding. Management continues to work with the MPPDC leadership to explore strategies to fund the Commission, provide for a motivated and adequately compensated staff, and increase performance while maintaining compliance with the requirements of OMB Uniform Guidance and the needs and resources of the member localities. The Commission’s performance compensation program has added stability for the staff while many other PDC’s and local government are losing qualified employees. Currently management has increased the use of staffing under cooperative procurement to provide staffing needs as a means to providing more and varied expertise for increasingly complicated projects being undertaken by the Commission in regards to environmental and economic development projects.

Contacting the Commission’s Financial Management Staff

This financial report is designed to provide a general overview of the Commission’s finances and show the Commission’s accountability for the funds it receives. If you have questions about this report or need additional information, contact the Commission’s Executive Director at 125 Bowden Street in Saluda, Virginia.

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2021

ASSETS

Current Assets

Cash and cash equivalents	\$ 820,000
Restricted cash	29,167
Accounts receivable	340,550
Total Current Assets	1,189,717

Noncurrent Assets

Capital assets, net	43
Loans receivable	319,637
Total Noncurrent Assets	319,680
Total Assets	1,509,397

DEFERRED OUTFLOWS OF RESOURCES

Pension contributions after the measurement date	8,688
Changes of assumptions	5,683
Net difference between projected and actual earnings on plan investments	25,334
Differences between expected and actual experience	12,027
Total Deferred Outflows of Resources	51,732

LIABILITIES

Current Liabilities

Accounts payable	102,620
Deferred revenue	222,470
Accrued leave payable	50,656
Current portion of notes payable	49,167
Total Current Liabilities	424,913

Noncurrent Liabilities

Notes payable, net of current portion	362,369
Net pension liability	93,437
Total Liabilities	880,719

DEFERRED INFLOWS OF RESOURCES

Differences between expected and actual experience	3,631
Changes of assumptions	408
Total Deferred Inflows of Resources	4,039

NET POSITION

Invested in capital assets, net of related debt	43
Unrestricted	676,328
Total Net Position	\$ 676,371

See accompanying notes

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

Operating Revenues

Grants and appropriations	
Federal grants	\$ 555,677
State grants and appropriations	125,618
Local grants and appropriations	1,085,308
Miscellaneous	2,211
Total Operating Revenues	1,768,814

Operating Expenses

Consultant and contractual	845,705
Salaries	482,358
COVID business grants	200,000
Fringe benefits	108,495
Rent and utilities	30,219
Legal and accounting	21,066
Printing and duplicating	7,031
Office supplies	5,908
Dues and memberships	4,528
Subscriptions and publications	4,492
Telephone	3,742
Promotion and advertising	3,421
Depreciation	2,531
Miscellaneous	2,528
Insurance	2,024
Website and internet	1,579
Bad debt	975
Postage	729
Vehicle costs	727
Meeting supplies and expenses	540
Lodging and staff expense	524
Professional development	57
Total Operating Expenses	1,729,179
Operating Income	39,635

Non-Operating Revenues

Interest income	12,661
GASB 68 pension benefit	22,892
Change in Net Position	75,188
Net Position - Beginning of Year	601,183
Net Position - End of Year	\$ 676,371

See accompanying notes

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

Cash Flows from Operating Activities	
Received from customers	\$ 1,914,267
Paid to suppliers for goods and services	(1,169,728)
Paid to employees for services	(475,462)
Net Cash Flows Provided by Operating Activities	<u>269,077</u>
 Cash Flows from Capital and Related Financing Activities	
Proceeds from notes payable	148,043
Principal paid on notes payable	(49,167)
Net Cash Flows Provided by Capital and Related Financing Activities	<u>98,876</u>
 Cash Flows from Investing Activities	
Disbursement for new loans made	(180,018)
Loan payments received	62,070
Interest income	12,661
Net Cash Flows Used in Investing Activities	<u>(105,287)</u>
 Net Change in Cash and Cash Equivalents	 262,666
Cash and Cash Equivalents - Beginning of Year	<u>586,501</u>
 Cash and Cash Equivalents - End of Year	 <u><u>\$ 849,167</u></u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 39,635
Depreciation	2,531
Changes in Assets and Liabilities	
Accounts receivable	(12,626)
Accounts payable	78,010
Deferred revenue	158,079
Accrued annual leave	3,448
Net Cash Flows from Operating Activities	<u><u>\$ 269,077</u></u>

See accompanying notes

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Organization and Summary of Accounting Policies

The Middle Peninsula Planning District Commission (the "Commission") was established April, 1972, pursuant to the provisions of Section 15.1-1403 of the Virginia code (the 1968 Virginia Area Development Act) as an authorized regional planning district commission. The Commission's primary duty is to promote orderly and efficient development of the physical, social and economic elements of the district by planning, encouraging and assisting governmental subdivisions to plan for the future. The Commission is a subsidiary organization of the counties of Essex, Gloucester, King and Queen, King William, Mathews, Middlesex and the towns of Tappahannock, Urbanna and West Point. Commission funding is obtained from member jurisdictions' contributions, funds provided by the Commonwealth of Virginia, and Federal, state and local grants and contracts for specified projects designed to further the Commission's goals and objectives.

The financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of significant accounting policies followed in the preparation of these financial statements:

- (a) Reporting Entity – The Commission's governing body is composed of members appointed by the nine member jurisdictions. The Commission is not a component unit of any of the member governments, and there are no component units to be included in the Commission's financial statements.
- (b) Basis of Accounting – The accounting and reporting policies of the Commission relating to the accompanying basic financial conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB) and by the Financial Accounting Standards Board (when applicable).

Management believes that the periodic determination of revenues earned, expenses incurred and net income is desirable for purposes of facilitating management control and accountability. Therefore, the activities of the Commission are accounted for as a proprietary fund which uses the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred. The Commission considers grant revenue as earned when the grant expenditure is incurred.

Private-sector standards of accounting and financial reporting issued prior to December 31, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

The Commission generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The Commission may defer the use of restricted assets based on a review of the specific transaction.

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 – Organization and Summary of Accounting Policies (Continued)

- (c) Revenue Recognition – Intergovernmental revenues, consisting primarily of federal, state, local and other grants for the purpose of funding specific expenditures, are recognized when earned. Contributions of the member governments are based on population and are assessed annually. The Commission recognizes a liability for funds received in excess of project expenditures.
- (d) Project Expenditures – The costs of goods and services that are identifiable for indirect costs are allocated to projects as described in Note 11. Personnel costs for Commission employees, including overtime and compensatory time, are direct charges to the appropriate projects. Expenses for paid leave and fringe benefits are allocated to projects as described in Notes 10 and 12.
- (e) Concentrations of Credit and Market Risk – Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions which, at times, may exceed federally insured limits. Credit exposure is limited to any one institution. The Commission has not experienced any losses on its cash equivalents.
- (f) Cash and Cash Equivalents – Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less, excluding amounts whose use is limited by the Commission’s Board designation or other arrangements under trust agreements with third-party payers.
- (g) Accounts Receivable – Accounts receivable are reported at their gross value when earned as the underlying exchange transaction occurs. Receivables related to non-exchange transactions are recognized when their eligibility requirements have been met. Receivables are reduced by the estimated portion that is expected to be uncollectible. This estimate is made based on collection history and current information regarding the credit worthiness of the debtors. When continued collection activity results in receipts of amounts previously written off, revenue is recognized for the amount collected. Management considers all of the receivables collectible at June 30, 2021, and no allowance for doubtful accounts has been provided. Concentration of credit risk with respect to accounts receivable is limited due to the number of grantors, many of which are federal government grants.
- (h) Employee Leave Benefits – Commission policy allows employees to accumulate unused vacation leave up to certain maximum hours. Commission employees earn from twelve to eighteen vacation days a year, depending on the length of their employment. Annual leave may be carried over from one fiscal year to the next, subject to certain limitations. The liability for accrued vacation is \$40,921 as of June 30, 2021.

All employees receive fifteen sick days a year. Sick leave may be carried over from one fiscal year to the next. Upon termination or retirement, employees with five or more years of continuous salaried service may receive up to 25% of their unused sick leave balances up to a maximum of \$5,000. The liability for accrued sick leave is \$9,735 as of June 30, 2021.

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 – Organization and Summary of Accounting Policies (Continued)

- (i) Management Estimates – The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- (j) Capital Assets – Capital assets are recorded at historical or estimated historical cost if actual historical cost is not available for items exceeding \$1,000. Depreciation is taken on the straight-line method over the estimated useful life of the respective asset.

The estimated lives are as follows:

Equipment	3-5 years
Furniture	7 years

Assets that have been purchased with grantor funds may revert to the grantor in the event the program is discontinued.

- (k) Budgets and Budgetary Accounting – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedule presents actual expenditures in accordance with the accounting principles generally accepted in the United States of America on a basis consistent with the adopted budgets as amended.
- (l) Advertising Costs – Advertising costs are expensed as incurred.
- (m) Deferred Outflows/Inflows of Resources – The Commission reports deferred outflows of resources on its statement of net position. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until the applicable period.

The Commission reports deferred inflows of resources on its statement of net position. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until a future period.

- (n) Pension – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Commission's Virginia Retirement System (VRS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 – Cash and Investments

State statute authorizes the Commission to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, repurchase agreements, certificates of deposit or time deposits insured by the FDIC, and the local government investment pool. Deposits are carried at cost, which approximates fair value.

At June 30, 2021 the carrying amount of the Commission’s deposits with banks was \$175,940 and the bank balances were \$214,544. All of the bank balances were covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act.

Investments in 2a7-like pools are valued based on the value of pool shares. The Commission invests a 2a7-like pool, the Local Government Investment Pool, managed by the Virginia Department of Treasury. Permitted investments in the pool include U.S. government obligations, repurchase agreements, certificates of deposit, banker’s acceptances, commercial paper, short-term corporate notes, and short-term taxable municipal obligations. The investment pool has not been assigned a risk category since the Commission is not issued securities, but rather owns an undivided interest in the assets of the pool. The Commission’s balance in the investment pool was \$673,227 at June 30, 2021.

NOTE 3 – Restricted Cash

The Virginia Resources Authority has required the Commission to provide a loan loss reserve of one year’s worth of debt service on the 2015 Septic Repair Revolving Loan Fund note payable and for the 2015 Living Shoreline Revolving Loan Fund. Restricted cash accounts in the amount of \$12,500 and \$16,667, respectively, have been established.

NOTE 4 – Property and Equipment

A summary of property and equipment as of June 30, 2021 is as follows:

	Balance July 1, 2020	Additions	Disposals	Balance June 30, 2021
Equipment	\$ 50,184	\$ -	\$ -	\$ 50,184
Accumulated Depreciation	(47,610)	(2,531)	-	(50,141)
Net	<u>\$ 2,574</u>	<u>\$(2,531)</u>	<u>\$ -</u>	<u>\$ 43</u>

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 – Pension Plan

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

Plan Description

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

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

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, service credit and average final compensation at retirement using a formula.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, service credit and average final compensation at retirement using a formula.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • The defined benefit is based on a member’s age, service credit and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

NOTE 5 – Pension Plan (Continued)

<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan’s effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014. <p>* Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Members contribute up to 5% of their compensation each month to their member contribution account through a pretax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Same as Plan 1.</p>	<p>Retirement Contributions A member’s retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer 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.</p>

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

NOTE 5 – Pension Plan (Continued)

<p>Service credit Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Service credit Same as Plan 1.</p>	<p>Service credit <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.</p>
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p>

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

NOTE 5 – Pension Plan (Continued)

		<p>Vesting (continued)</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required, except as governed by law.</p>
<p>Calculating the Benefit The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1.</p> <p><u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member’s average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member’s average final compensation is the average of the 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable</p>

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

NOTE 5 – Pension Plan (Continued)

<p>Service Retirement Multiplier VRS: (continued)</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: (continued)</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier VRS: (continued)</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivision hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.</p> <p>Political subdivision hazardous duty employees: Age 60 with at least five years (60 months) of service credit or at age 50 with at least 25 years of service credit.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of service credit or when their age plus service equal 90.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age plus service equal 90.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of service credit or at age 50 with at least 10 years of service credit.</p> <p>Political subdivision hazardous duty employees: 50 with at least five years of service credit.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of service credit.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Age 60 with at least five years (60 months) of service credit.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

NOTE 5 – Pension Plan (Continued)

<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term to long-term disability. • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. <p>The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>
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MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

NOTE 5 – Pension Plan (Continued)

<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service Defined Benefit Component: Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. Defined Contribution Component: Not applicable.</p>

Employees Covered by Benefit Terms

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive Members or Their Beneficiaries Currently Receiving Benefits	3
Inactive Members	
Vested inactive members	1
Non-vested inactive members	2
Inactive members active elsewhere in VRS	<u>1</u>
Total Inactive Members	4
Active Members	<u>3</u>
Total covered employees	<u>10</u>

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 – Pension Plans (Continued)

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.

The Commission's contractually required contribution rate for the year ended June 30, 2021 was 3.93% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Commission were \$8,688 and \$11,216 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For the Commission, the net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019 rolled forward to the measurement date of June 30, 2020.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Commission's Retirement Plan was based on an actuarial valuation as of June 30, 2019, 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, 2020.

Inflation	2.5%
Salary increases, including Inflation	3.5% – 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

- * Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

NOTE 5 – Pension Plans (Continued)

Mortality rates:

Largest 10 - Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 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 Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

All Others (Non 10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 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 Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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 are as follows:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 20%
Discount Rate	Decrease rate from 7.00% to 6.75%

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

NOTE 5 – Pension Plans (Continued)

All Other (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

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 future 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)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS-Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP-Private Investment Partnership	3.00%	6.49%	0.19%
Total	<u>100.00%</u>		<u>4.64%</u>
	Inflation		<u>2.50%</u>
			<u>7.14%</u>

* Expected arithmetic nominal return

* The above allocation provides a one-year return 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019 the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

NOTE 5 – Pension Plans (Continued)

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, 2020, the alternate rate was the employer contribution rate used in FY2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2020 on, participating employers are assumed to continue 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.

Change in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at June 30, 2019	\$863,824	\$834,280	\$ 29,544
Changes for the year:			
Service cost	20,752	-	20,752
Interest	57,514	-	57,514
Changes of assumptions	-	-	-
Differences between expected and actual experience	23,312	-	23,312
Contributions – employer	-	10,542	(10,542)
Contributions – employee	-	11,710	(11,710)
Net investment income	-	15,990	(15,990)
Benefit payments, including refunds of employee contributions	(23,519)	(23,519)	-
Administrative expense	-	(538)	538
Other changes	-	(19)	19
Net changes	78,059	14,166	63,893
Balances at June 30, 2020	\$941,883	\$848,446	\$ <u>93,437</u>

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

The following presents the net pension liability of the Commission using the discount rate of 6.75%, as well as what the Commission’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:

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

NOTE 5 – Pension Plans (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate (Continued)

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Commission’s Net Pension Liability	\$217,621	\$93,437	\$(10,395)

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

For the year ended June 30, 2021, the Commission recognized pension benefit of \$22,893. At June 30, 2021, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Summary of Deferred Outflows of Resources and Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,027	\$3,631
Changes of assumptions	5,683	408
Net difference between projected and actual earnings on plan investments	25,334	-
Employer contributions subsequent to the Measurement Date	8,688	-
Total	<u>\$51,732</u>	<u>\$4,039</u>

\$8,688 reported as deferred outflows of resources related to pensions resulting from Commission’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Reporting Date Ending June 30,	
2022	\$14,238
2023	8,272
2024	8,441
2025	8,054
2026	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2020 *Comprehensive Annual Financial Report (CAFR)*. A copy of the 2020 VRS CAFR may be downloaded from the VRS website at varetire.org/Pdf/Publications/2020-annual-report.pdf, or by writing to the System’s Chief Financial Officer at PO Box 2500, Richmond, VA 23218-2500.

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 – Notes Payable

On February 10, 2011 the Commission entered into a financing agreement with the Virginia Water Facilities Revolving Fund to receive a \$125,000 loan to finance project costs of small water facility projects. The loan is non-interest bearing, and calls for semi-annual repayments of \$6,250 commencing on August 1, 2013. The balance of this loan was \$25,000 at June 30, 2021.

On December 16, 2014 the Commission entered into a financing agreement with the Virginia Water Facilities Revolving Fund to receive a \$200,000 loan to finance project costs of small water facility projects. The loan is non-interest bearing, and calls for semi-annual repayments of \$10,000 commencing on June 1, 2018. The balance of this loan was \$97,293 at June 30, 2021.

On June 14, 2017 the Commission entered into a financing agreement with the Virginia Water Facilities Revolving Fund to receive a \$250,000 loan to finance project costs of small water facility projects. The loan is non-interest bearing, and calls for semi-annual repayments of \$8,333 commencing on June 1, 2019. The balance of this loan was \$208,333 at June 30, 2021.

On August 1, 2020 the Commission entered into a financing agreement with the Virginia Water Facilities Revolving Fund to receive a \$175,000 loan to finance project costs of small water facility projects. The loan is non-interest bearing, and calls for semi-annual repayments of \$5,833 commencing on August 1, 2022. The balance of this loan was \$80,910 at June 30, 2021.

The following is a summary of changes in long-term debt for the year ended June 30, 2021:

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
VRA 2011 Note	\$ 37,500	\$ -	\$12,500	\$ 25,000
VRA 2015 Note	117,293	-	20,000	97,293
VRA 2017 Note	157,867	67,133	16,667	208,333
VRA 2020 Note	<u>-</u>	<u>80,910</u>	<u>-</u>	<u>80,910</u>
Total	<u>\$312,660</u>	<u>\$148,043</u>	<u>\$49,167</u>	<u>\$411,536</u>

Mandatory debt service requirements consist of the following:

<u>Year ending</u> <u>June 30,</u>	<u>Total</u>
2022	\$ 49,167
2023	60,833
2024	48,333
2025	48,333
2026	45,626
Thereafter	<u>159,244</u>
Total	<u>\$411,536</u>

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 – Lease Commitments

The Commission is obligated under an operating lease for office facilities. The 21-month facility lease commenced on October 1, 2018 and expired on June 30, 2020. The lease contains a provision whereby it automatically renews for a one-year period with a 3% increase in rent unless a three month notice to vacate is given. The lease calls for monthly payments in the amount of \$2,140. Rent expense was \$25,680 for the year ended June 30, 2021.

NOTE 8 – Loans Receivable

The Commission operates several loan programs to provide low or no interest loans for wastewater, small business and housing projects. The loans are carried at the net realizable value, and all amounts are believed collectible as of June 30, 2021. Loan loss reserves exist for several of the programs.

NOTE 9 – Commitments

The Commission participates in a number of programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Commission may be required to reimburse. As of June 30, 2021, the Commission believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Commission.

NOTE 10 – Leave Allocation

The leave allocation includes annual leave expense which is based on the amount of leave earned during the year. Other types of leave (i.e., holiday leave, administrative leave, etc.) are based on the amount of leave actually taken. Components for the leave allocation for the year ended June 30, 2021, are shown below:

Leave	
Holiday	\$21,793
Annual	16,452
Sick	<u>9,541</u>
Total	<u>\$47,786</u>

The leave allocation rate for the fiscal year ended June 30, 2021, is calculated as follows:

Leave allocation	\$ 47,786
Total regular time salaries, excluding leave	\$387,655 = 12.33%

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 – Indirect Costs

Indirect costs, which support all projects, are allocated based on the ratio of the individual project's direct salaries, leave, and fringe benefits to total direct salaries, leave, and fringe benefits (excluding temporary help). The indirect cost rate for the fiscal year ended June 30, 2021 is calculated as follows:

Indirect costs	\$176,471
Total direct salaries, consultant costs, leave, and fringe benefits	\$782,321 = 22.56%

The following are included in indirect costs allocated to projects:

Salaries	\$ 76,067
Rent and storage	26,280
Fringe benefits	20,346
Information technology	16,984
Legal and accounting	11,725
Printing and duplicating	7,031
Telephone	3,742
Dues and subscriptions	3,707
Utilities	3,684
Office supplies	2,336
Consulting/contractual services	1,900
Miscellaneous	738
Postage	729
Facility maintenance	645
Travel	361
Vehicle operating costs	196
Total	<u>\$176,471</u>

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

**NOTES TO FINANCIAL STATEMENTS
(Concluded)**

NOTE 12 – Fringe Benefit Allocation

Fringe benefit expense is allocated using the percentage of benefits to total salaries. The fringe benefit rate for the fiscal year ended June 30, 2021 is calculated as follows:

Fringe benefit expense	<u>\$108,495</u>
Total salaries	\$435,441 = 24.92%

Components of fringe benefit expense for the year ended June 30, 2021, are shown below:

Fringe benefits	
Group health insurance	\$ 49,851
Social security taxes	35,327
Retirement and special pension	18,153
Group life insurance	3,597
Long-term disability	949
Unemployment	<u>618</u>
Total	<u>\$108,495</u>

NOTE 13 – Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact the Alliance's grants, contributions and event income. Other financial impact could occur though such potential impact is unknown at this time.

NOTE 14 – Evaluation of Subsequent Events

The Commission has evaluated subsequent events through February 28, 2022, the date which the financial statements were available to be issued.

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

SCHEDULE OF REVENUES AND EXPENSES BY PROGRAM

For the Year Ended June 30, 2021

	Local Programs	Rural Trans- portation Planning	TDM	AHMP Update	Coastal Technical Assistance
Revenues					
Federal	\$ -	\$ 53,124	\$ -	\$ 51,414	\$ 53,829
State	75,971	-	36,793	12,854	-
Local	139,849	-	-	6,803	-
Other	339	-	-	-	-
Total Revenues	<u>216,159</u>	<u>53,124</u>	<u>36,793</u>	<u>71,071</u>	<u>53,829</u>
Expenses					
Salaries	38,360	33,894	32,551	38,931	36,013
Fringe benefits	9,300	9,096	8,735	9,017	9,610
Meeting supplies	503	-	-	-	-
Private mileage	96	-	-	-	-
Lodging and staff expense	67	-	-	-	-
Dues and memberships	-	-	1,175	-	-
Subscriptions and publications	35	-	-	-	-
Accounting and audit	497	-	-	-	-
Legal services	-	640	-	-	1,434
Consultant and contractual	5,470	14,493	-	6,890	43,303
Promotion and advertising	8,224	-	(4,927)	-	-
Insurance	2,555	-	-	-	-
Miscellaneous	1,959	-	(16)	-	-
Depreciation	1,951	-	-	-	-
Bad debt expense	965	-	-	-	-
Indirect expense	14,665	13,111	8,463	12,370	17,381
Total Expenses	<u>84,647</u>	<u>71,234</u>	<u>45,981</u>	<u>67,208</u>	<u>107,741</u>
Revenues Over (Under) Expenses	131,512	(18,110)	(9,188)	3,863	(53,912)
General Fund Support	<u>(79,216)</u>	<u>18,110</u>	<u>9,188</u>	<u>(3,863)</u>	<u>53,912</u>
Revenues and General Fund Support Over (Under) Expenses	<u>\$ 52,296</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

SCHEDULE OF REVENUES AND EXPENSES BY PROGRAM

For the Year Ended June 30, 2021

<u>DEQ Planner</u>	<u>Septic Pump out</u>	<u>Ecotourism</u>	<u>NFWF Mathews</u>	<u>NFWF Landowners Living Shoreline Management</u>	<u>Living Shorelines Incentives</u>	<u>Covid CARES Act</u>
\$ 29,690	\$ 1,675	\$ 14,566	\$ 7,342	\$ 39,706	\$ -	\$ 304,331
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	9,812	-
<u>29,690</u>	<u>1,675</u>	<u>14,566</u>	<u>7,342</u>	<u>39,706</u>	<u>9,812</u>	<u>304,331</u>
7,852	-	5,756	3,241	2,307	2,865	53,815
1,931	-	1,335	870	530	769	1,055
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	172	-
-	-	-	-	-	4,200	-
20,500	990	21,945	2,183	33,269	-	43,000
-	-	-	-	-	-	-
-	-	-	-	-	-	200,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
6,831	1,320	5,963	1,048	3,600	1,806	6,461
<u>37,114</u>	<u>2,310</u>	<u>34,999</u>	<u>7,342</u>	<u>39,706</u>	<u>9,812</u>	<u>304,331</u>
(7,424)	(635)	(20,433)	-	-	-	-
<u>7,424</u>	<u>635</u>	<u>20,433</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to financial statements
are an integral part of this statement

	VPA	GA Lobby	PAA Administration	Essex Planning Grant Broadband	EECBG Administration
Revenues					
Federal	\$ -	\$ -	\$ -	\$ -	\$ -
State	-	-	-	-	-
Local	779,141	30,000	119,534	3,000	-
Other	-	-	-	-	253
Total Revenues	<u>779,141</u>	<u>30,000</u>	<u>119,534</u>	<u>3,000</u>	<u>253</u>
Expenses					
Salaries	93,759	-	50,074	-	252
Fringe benefits	25,151	-	8,906	-	68
Meeting supplies	-	-	-	-	-
Private mileage	-	-	-	-	-
Lodging and staff expense	-	-	-	-	-
Dues and memberships	-	-	-	-	-
Subscriptions and publications	-	-	-	-	-
Accounting and audit	-	-	-	-	-
Legal services	-	-	1,464	-	-
Consultant and contractual	559,917	30,000	51,670	2,700	-
Promotion and advertising	-	-	-	-	-
Insurance	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Bad debt expense	-	-	-	-	-
Indirect expense	66,298	-	14,365	609	72
Total Expenses	<u>745,125</u>	<u>30,000</u>	<u>126,479</u>	<u>3,309</u>	<u>392</u>
Revenues Over (Under) Expenses	34,016	-	(6,945)	(309)	(139)
General Fund Support	<u>(34,016)</u>	<u>-</u>	<u>6,945</u>	<u>309</u>	<u>139</u>
Revenues and General Fund Support Over (Under) Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

SCHEDULE OF REVENUES AND EXPENSES BY PROGRAM

For the Year Ended June 30, 2021

Onsite Loan Management	MPBDP Support	MPA Staff Support	Total
\$ -	\$ -	\$ -	\$ 555,677
-	-	-	125,618
-	-	6,981	1,085,308
3,625	843	-	14,872
<u>3,625</u>	<u>843</u>	<u>6,981</u>	<u>1,781,475</u>
1,708	422	4,491	406,291
458	113	1,205	88,149
-	-	-	503
-	-	-	96
-	-	-	67
-	-	-	1,175
-	-	-	35
423	-	-	1,092
359	-	-	8,097
-	-	-	836,330
-	152	-	3,449
-	-	-	2,555
-	-	-	201,943
-	-	-	1,951
10	-	-	975
667	156	1,285	176,471
<u>3,625</u>	<u>843</u>	<u>6,981</u>	<u>1,729,179</u>
-	-	-	52,296
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ -	\$ -	\$ -	\$ 52,296

The accompanying notes to financial statements
are an integral part of this statement

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2021

	Actual	Original Budget	Revised Budget	Favorable (Unfavorable)
Operating Revenues				
Grants and appropriations				
Federal grants	\$ 555,677	\$ 255,146	\$ 522,878	\$ 32,799
State grants and appropriations	125,618	480,247	114,775	10,843
Local grants and appropriations	1,085,308	2,203,927	1,242,027	(156,719)
Miscellaneous	2,211	17,500	3,980	(1,769)
Total Operating Revenues	1,768,814	2,956,820	1,883,660	(114,846)
Operating Expenses				
Consultant and contractual	845,705	1,837,859	1,167,115	321,410
Salaries	482,358	479,090	468,457	(13,901)
COVID business grants	200,000	-	-	(200,000)
Fringe benefits	108,495	113,945	113,127	4,632
Rent and utilities	30,219	34,850	33,350	3,131
Legal and accounting	21,066	13,500	13,500	(7,566)
Printing and duplicating	7,031	13,000	7,500	469
Office supplies	5,908	3,000	2,000	(3,908)
Dues and memberships	4,528	4,460	3,800	(728)
Subscriptions and publications	4,492	7,750	2,750	(1,742)
Telephone	3,742	2,800	2,800	(942)
Promotion and advertising	3,421	41,096	24,100	20,679
Miscellaneous	2,531	-	-	(2,531)
Depreciation	2,528	-	-	(2,528)
Insurance	2,024	2,152	2,152	128
Website and internet	1,579	18,331	16,400	14,821
Bad debt	975	-	-	(975)
Postage	729	1,200	1,200	471
Vehicle costs	727	2,925	3,025	2,298
Meeting supplies and expenses	540	1,400	700	160
Lodging and staff expense	524	4,500	4,500	3,976
Professional development	57	1,500	1,500	1,443
Total Operating Expenses	1,729,179	2,583,358	1,867,976	138,797
Operating Income	39,635	373,462	15,684	23,951
Non-Operating Revenues				
Interest income	12,661	10,000	1,000	11,661
GASB 68 pension benefit	22,892	-	-	22,892
Change in Net Position	75,188	383,462	16,684	58,504
Net Position - Beginning of Year	601,183	601,183	601,183	-
Net Position - End of Year	\$ 676,371	\$ 984,645	\$ 617,867	\$ 58,504

See accompanying notes

Dunham, Aukamp & Rhodes, PLC
Certified Public Accountants

4437 Brookfield Corporate Dr., Suite 205-D
Chantilly, VA 20151

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Commissioners
Middle Peninsula Planning District Commission:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and 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 financial statements of the business-type activities and the aggregate remaining fund information of Middle Peninsula Planning District Commission, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Middle Peninsula Planning District Commission's basic financial statements, and have issued our report thereon dated February 28, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Middle Peninsula Planning District Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Middle Peninsula Planning District Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of Middle Peninsula Planning District Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

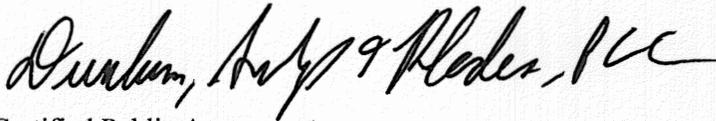
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Middle Peninsula Planning District Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants
Chantilly, Virginia

February 28, 2022

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION
SCHEDULE OF CHANGES IN THE COMMISSION'S NET PENSION
LIABILITY AND RELATED RATIOS
For the Plan Years Ended June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability							
Service Cost	\$ 20,752	\$ 23,285	\$ 22,841	\$ 33,694	\$ 32,598	\$ 35,411	\$ 33,666
Interest	57,514	54,652	51,597	47,499	44,855	56,054	51,210
Differences between expected and actual experience	23,312	(13,208)	(14,068)	2,582	(27,899)	(247,777)	-
Changes of assumptions	-	26,733	-	(7,504)	-	-	-
Benefit payments, including refunds of employee contributions	(23,519)	(16,756)	(16,701)	(18,748)	(4,821)	(2,534)	(28,811)
Net change in total pension liability	78,059	74,706	43,669	57,523	44,733	(158,846)	56,065
Total pension liability - beginning	863,824	789,118	745,449	687,926	643,193	802,039	745,974
Total pension liability - ending (a)	<u>\$ 941,883</u>	<u>\$ 863,824</u>	<u>\$ 789,118</u>	<u>\$ 745,449</u>	<u>\$ 687,926</u>	<u>\$ 643,193</u>	<u>\$ 802,039</u>
Plan fiduciary net position							
Contributions - employer	\$ 10,542	\$ 8,734	\$ 11,043	\$ 13,393	\$ 30,454	\$ 29,567	\$ 41,066
Contributions - employee	11,710	9,332	10,076	12,257	14,502	14,079	15,942
Net investment income	15,990	52,729	53,890	78,809	11,707	25,306	69,634
Benefit payments, including refunds of employee contributions	(23,519)	(16,756)	(16,701)	(18,748)	(4,821)	(2,534)	(28,811)
Administrative expense	(538)	(507)	(452)	(440)	(340)	(299)	(348)
Other changes	(19)	(33)	(48)	(71)	(5)	(5)	4
Net change in plan fiduciary net position	14,166	53,499	57,808	85,200	51,497	66,114	97,487
Plan fiduciary net position - beginning	834,280	780,781	722,973	637,773	586,276	520,162	422,675
Plan fiduciary net position - ending (b)	<u>\$ 848,446</u>	<u>\$ 834,280</u>	<u>\$ 780,781</u>	<u>\$ 722,973</u>	<u>\$ 637,773</u>	<u>\$ 586,276</u>	<u>\$ 520,162</u>
Commission's Net Pension Liability - Ending (a) - (b)	<u>\$ 93,437</u>	<u>\$ 29,544</u>	<u>\$ 8,337</u>	<u>\$ 22,476</u>	<u>\$ 50,153</u>	<u>\$ 56,917</u>	<u>\$ 281,877</u>
Plan fiduciary net position as a percentage of the total pension liability	90.08%	96.58%	98.94%	96.98%	92.71%	91.15%	64.85%
Covered payroll	\$ 263,543	\$ 202,447	\$ 201,515	\$ 244,398	\$ 290,036	\$ 281,589	\$ 325,839
Commission's net pension liability as percentage of covered payroll	35.45%	14.59%	4.14%	9.20%	17.29%	20.21%	86.51%

See accompanying notes

**MIDDLE PENINSULA PLANNING DISTRICT COMMISSION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
COMMISSION RETIREMENT PLAN
FOR THE YEARS ENDED JUNE 30, 2012 THROUGH 2021**

	Contractually Required Contributions	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2021	8,688	\$ 8,688	\$ -	\$205,390	4.23%
2020	11,148	9,332	1,816	263,543	3.54%
2019	9,475	8,734	741	202,447	4.31%
2018	9,431	11,043	(1,612)	201,515	5.48%
2017	13,393	13,393	-	244,398	5.48%
2016	30,454	30,454	-	290,036	10.50%
2015	29,567	27,344	2,223	281,589	9.71%
2014	41,968	41,070	898	325,839	12.60%
2013	42,064	39,438	2,626	326,582	12.08%
2012	29,612	42,818	(13,206)	263,220	16.27%

See accompanying notes

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2021

NOTE 1 – Change of Benefit Terms

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

NOTE 2 – Changes of Assumptions

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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 are as follows:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 20%
Discount Rate	Decrease rate from 7.00% to 6.75%

All Others (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%