

**MIDDLE PENINSULA PLANNING
DISTRICT COMMISSION**

**AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

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

R. Gary Allen - Essex County
Margaret H. Davis - Essex County
A. Reese Peck – Essex County
Edwin E. Smith - Essex County
Ashley C. Chriscoe - Gloucester County
Sanford Wanner – Gloucester County
Maurice P. Lynch - Gloucester County
Michael Winebarger - Gloucester County
Sherrin C. Alsop - King and Queen County
James Milby - King and Queen County
Thomas J. Swartzwelder - King and Queen County
Eugene Rivara - King William County
Travis J. Moskalski - King William County
Otto O. Williams - King William County
O. J. Cole, Jr. - Mathews County
Thornton Hill - Mathews County
Charles E. Ingram - Mathews County
Trudy V. Feigum – Middlesex County
Wayne H. Jessie, Sr. - Middlesex County
John D. Miller – Middlesex County
G. Gayle Belfield, Jr. - Town of Tappahannock
Roy M. Gladding - Town of Tappahannock
Steve Hollberg - Town of Urbanna
Paul T. Kelley - 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

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, 2015, and the related notes to the financial statements, which collectively comprise the 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, 2015 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.

Emphasis of Matter

Change in Accounting Principle

Middle Peninsula Planning District Commission's basic financial statements for the year ended June 30, 2015, reflect the provisions of the Governmental Accounting Standards Board's (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. Middle Peninsula Planning District Commission implemented the requirements of GASB Statement No. 68 in accordance with its required effective date. See Note 13 and required supplementary information in the accompanying financial statements for the impact of the standard's implementation. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of revenue and expenses, and budgetary comparison information on pages 4 through 7 and pages 32 through 34 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.



Certified Public Accountants
Chantilly, Virginia

November 18, 2015

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, 2015. 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>2015</u>	<u>2014</u>
Current Assets	\$1,003,249	\$901,074
Capital Assets (net)	<u>4,949</u>	<u>10,464</u>
Total Assets	<u>1,008,198</u>	<u>911,538</u>
Deferred Outflows of Resources	<u>29,567</u>	<u>-</u>
Current Liabilities	169,792	140,020
Long-Term Liabilities	<u>397,048</u>	<u>391,402</u>
Total Liabilities	<u>566,840</u>	<u>531,422</u>
Deferred Inflows of Resources	<u>31,258</u>	<u>-</u>
Invested in Capital Assets	4,949	10,464
Unrestricted	<u>434,718</u>	<u>369,652</u>
Total Net Position	<u>\$ 439,667</u>	<u>\$380,116</u>

Current assets increased during the year by approximately \$102,000 as management successfully identified and obtained funding to more than cover personnel costs and matching funds.

Current liabilities increased during the year by approximately \$29,800 due to increases in deferred revenue and accrued leave payables. Several ongoing Commission projects provide project income above that needed to cover expenses. This revenue is retained as deferred revenue to be utilized in future periods.

Long-term liabilities increased by almost \$6000 during the current year, as the Commission made scheduled principal payments on the 1997 VRA loan in the amount of \$12,500 and on the 2010 VRA loan of \$12,500, and received proceeds of \$31,002 from the 2010 VRA loan for a net increase of \$6002.

Total net position increased by approximately \$60,000 this year as management was able to cover personnel costs with outside grants allowing for the banking of PDC base funding for future operations.

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

	<u>2015</u>	<u>2014</u>
Revenues		
Operating revenues	\$752,395	\$811,097
Interest	<u>2,242</u>	<u>2,296</u>
Total Revenues	<u>754,637</u>	<u>813,393</u>
Expenses		
General and administration	62,640	74,222
Project costs	<u>632,466</u>	<u>730,551</u>
Total Expenses	<u>695,086</u>	<u>804,773</u>
Change in net position	59,551	8,620
Net position at beginning of year, as restated	<u>380,116</u>	<u>371,496</u>
Net position at end of year	<u>\$439,667</u>	<u>\$380,116</u>

Operating revenues decreased by approximately \$59,000 and project expenses decreased by approximately \$98,000 from the prior year. 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. Required matching fund expenses were also reduced by approximately \$40,000 as management was able to secure grants with no or smaller matching funds requirements and to identify and utilize more sources other than local funding for match requirements than in the previous year.

In FY 2015 actual revenues came in over budgeted revenues by approximately \$146,000 because several grants were obtained that had not been anticipated during the budget process. Management takes opportunities to apply for funding to further the work program of the Commission as they become available, which does not always conform to the organization's budgeting process or fiscal year. In this instance an opportunity to provide regional emergency management planning with federal funding was identified and secured.

Actual expenses exceeded budgeted expenses for personnel costs by approximately \$80,000 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.

General Administration expenses decreased by \$11,600 as management continued to look for opportunities to control administrative costs and to utilize administrative staff on projects wherever feasible. Project costs decreased by \$98,000. It is not unusual for project costs to change substantially from year to year based on the projects funded.

Note – the inclusion of net pension liabilities in the Financial Statement of Net Position required by GASB 68 required not only the addition of several previously unreported line items, but also the restatement of Beginning Net Position for June 30, 2013 and 2014. The change to Net Position as of June 30, 2014 required a decrease of \$323,299 in the general fund to allow for recognition of net pension liability.

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 two loans from the Virginia Water Facilities Revolving Fund. The first loan was originally made in 1997 in the amount of \$250,000, but through regular annual payments has been reduced to \$50,000. In 2011 the Commission received another \$250,000 loan from the Virginia Water Facilities Revolving Fund to increase the revolving loan fund for wastewater loans. This loan consists of a \$125,000 no interest loan and a \$125,000 “principal forgiveness” loan. As of June 30, 2015, \$102,671 had been drawn on the new loan and an additional \$102,671 on the “principal forgiveness loan”. The new loan has been reduced by regular annual payments to \$90,171.

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. Management realizes the risk to the organization of 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 is working with the MPPDC Executive Committee 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 Universal Guidance and the needs and resources of the member localities.

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, 2015

ASSETS

Current Assets

Cash and cash equivalents	\$ 538,646
Restricted cash	12,500
Accounts receivable	227,712
Total Current Assets	<u>778,858</u>

Noncurrent Assets

Capital assets, net	4,949
Loans receivable	224,391
Total Noncurrent Assets	<u>229,340</u>

Total Assets	<u>\$1,008,198</u>
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DEFERRED OUTFLOWS OF RESOURCES

Pension contributions after the measurement date	<u>29,567</u>
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LIABILITIES

Current Liabilities

Accounts payable	\$ 4,304
Deferred revenue	89,473
Accrued leave payable	51,015
Current portion of notes payable	25,000
Total Current Liabilities	<u>169,792</u>

Noncurrent Liabilities

Notes payable, net of current portion	115,171
Net pension liability	281,877
Total Liabilities	<u>566,840</u>

DEFERRED INFLOWS OF RESOURCES

Net difference between projected and actual pension earnings	<u>31,258</u>
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NET POSITION

Net Position

Invested in capital assets, net of related debt	229,340
Unrestricted	210,327
Total Net Position	<u><u>439,667</u></u>

See accompanying notes

Middle Peninsula Planning District Commission
Statement of Revenue, Expenses, and Changes in Net Position
For the Year Ended June 30, 2015

Operating Revenues

Grants and appropriations	
Federal grants	\$ 410,968
State grants and appropriations	189,770
Local grants and appropriations	117,382
Miscellaneous	34,275
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Total Operating Revenues	752,395

Operating Expenses

Salaries	374,315
Fringe benefits	116,701
Consultant and contractual	64,795
Rent and utilities	27,183
Promotion and advertising	27,044
Office supplies	16,101
Workshops and conferences	9,942
Construction	8,601
Printing and duplicating	8,165
Legal and accounting	7,139
Depreciation	5,515
Bad debt	4,492
Dues and memberships	4,397
Website and internet	3,500
Miscellaneous	3,042
Insurance	2,994
Telephone	2,894
Meeting supplies and expenses	2,620
Lodging and staff expense	2,285
Postage	1,821
Vehicle costs	1,166
Deferred/forgiven loan expense	198
Subscriptions and publications	176
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Total Operating Expenses	695,086

Operating Income	57,309
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Non-Operating Revenues

Interest income	2,242
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Change in Net Position	59,551

Net Position - Beginning of Year, As Restated	380,116
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Net Position - End of Year	<u><u>\$ 439,667</u></u>
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See accompanying notes

Middle Peninsula Planning District Commission
Statement of Cash Flows
For the Year Ended June 30, 2015

Cash Flows from Operating Activities

Received from customers	\$ 681,475
Paid to suppliers for goods and services	(309,617)
Paid to employees for services	(366,428)
Net Cash Flows Provided by Operating Activities	<u>5,430</u>

Cash Flows from Capital and Related Financing Activities

Proceeds from note payable	31,002
Principal paid on notes payable	(25,000)
Net Cash Flows Provided by Capital and Related Financing Activities	<u>6,002</u>

Cash Flows from Investing Activities

Disbursement for new loans made	(25,906)
Loan payments received	51,823
Interest income	2,242
Net Cash Flows Provided by Investing Activities	<u>28,159</u>

Net Change in Cash and Cash Equivalents	39,591
Cash and Cash Equivalents - Beginning of Year	<u>511,555</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 551,146</u></u>

**Reconciliation of Operating Income to Net Cash
Provided by Operating Activities**

Operating income	\$ 57,309
Depreciation	5,515
Changes in Assets and Liabilities	
Accounts receivable	(88,501)
Deferred outflows of resources	(29,567)
Accounts payable	4,304
Deferred revenue	17,581
Deferred inflows of resources	31,258
Accrued annual leave	7,887
Net pension liability	(356)
Net Cash Flows from Operating Activities	<u><u>\$ 5,430</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) (prior to the adoption of GASB 34) 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) Project Expenditures – The costs of goods and services that are identifiable for indirect costs are allocated to projects as described in Note 9. 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 11.
- (d) 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.
- (e) 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.
- (f) 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, 2015, 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.
- (g) 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 \$34,802 as of June 30, 2015.

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 \$16,213 as of June 30, 2015.
- (h) 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.

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

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

- (i) 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.

- (j) 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.
- (k) Advertising Costs – Advertising costs are expensed as incurred.
- (l) 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 only has one item that qualifies for reporting in this category. It is the employer pension contributions made after the actuarial measurement date. Employer contributions made at the measurement date of June 30, 2014, and the valuation date of June 30, 2013, were \$29,567 and \$41,066, respectively.

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. The Commission only has one item that qualifies for reporting in this category. The difference between the projected and actual pension earnings per the actuarial report dated of June 30, 2014, of \$31,258 is reported as a deferred inflow of resources at June 30, 2015.

- (m) 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, 2015 the carrying amount of the Commission's deposits with banks was \$516,211 and the bank balances were \$529,914. 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 \$34,935 at June 30, 2015.

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 2010 Septic Repair Revolving Loan Fund note payable. A restricted cash account in the amount of \$12,500 has been established.

NOTE 4 – Property and Equipment

A summary of property and equipment as of June 30, 2015 is as follows:

	Balance July 1, 2014	Additions	Disposals	Balance June 30, 2015
Equipment	\$113,904	\$ -	\$ -	\$113,904
Accumulated Depreciation	<u>(103,440)</u>	<u>(5,515)</u>	<u>-</u>	<u>(108,955)</u>
Net	<u>\$ 10,464</u>	<u>\$(5,515)</u>	<u>\$ -</u>	<u>\$ 4,949</u>

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 – Pension Plans

Plan Description

Name of Plan: Virginia Retirement System (VRS)
 Identification of Plan: Agent and Cost-Sharing, Multiple-Employer Pension Plan
 Administering Entity: Virginia Retirement System (System)

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 are pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria a 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:

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<p>About VRS Plan 1 VRS 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 VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About VRS Plan 2 VRS 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 VRS 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>About the Hybrid Retirement Plan The Hybrid Retirement Plan 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 VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service 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 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 Plans (Continued)

<p>Eligible Members Employees are in VRS Plan 1 if their membership date is before July 1, 2010 and they were vested as of January 1, 2013</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 VRS 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 VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.</p>	<p>Eligible Members Employees are in VRS 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 VRS 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 VRS 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 VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS 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 VRS Plan 1 or VRS 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"> Members of the State Police Officers' Retirement System (SPORS) Members of the Virginia Law Officers' Retirement System (VaLORS) 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 VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS 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 pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. 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 Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</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 Plans (Continued)

<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service 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>Creditable Service Same as VRS Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service 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, creditable service 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 creditable service. 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 VRS 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 creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service 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 Plans (Continued)

		<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 years or more, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	Calculating the Benefit See definition under VRS Plan 1.	Calculating the Benefit <u>Defined Benefit Component:</u> See definition under VRS Plan 1. <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.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier 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 1.7%.	Service Retirement Multiplier 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 creditable service earned, purchased or granted on or after January 1, 2013.	Service Retirement Multiplier The retirement multiplier is 1.0%. For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.
Normal Retirement Age Age 65.	Normal Retirement Age Normal Social Security retirement age.	Normal Retirement Age <u>Defined Benefit Component:</u> Same as VRS Plan 2. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 – Pension Plans (Continued)

<p>Earliest Unreduced Retirement Eligibility Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equals 90.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<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 creditable service, 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 creditable service, the COLA will go into effect on July 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 under the Virginia Sickness and Disability Program (VSDP) 	<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 VRS Plan 1.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as VRS Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as VRS Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as VRS Plan 1 and VRS Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as VRS Plan 1 and VRS Plan 2.</p>

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 – Pension Plans (Continued)

<ul style="list-style-type: none"> • 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. 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>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</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>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Eligible political subdivision and school division (including VRS Plan 1 and VRS 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>State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or 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 creditable service in their plan. Prior creditable service 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 VRS Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as VRS Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 – Pension Plans (Continued)

The System issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-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, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive Members or Their Beneficiaries Currently Receiving Benefits	1
Inactive Members	
Vested inactive members	2
Non-vested inactive members	0
Inactive members active elsewhere in VRS	1
Total Inactive Members	3
Active Members	6
Total covered employees	10

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. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Commission's contractually required contribution rate for the year ended June 30, 2015 was 8.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

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. Contribution to the pension plan from the Commission were \$29,567 and \$41,066 for the years ended June 30, 2015 and June 30, 2014, respectively.

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 – Pension Plans (Continued)

Net Pension Liability

The Commission's net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

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, 2013, 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, 2014.

Inflation	2.5%
Payroll growth	3.0%
Salary increases, including Inflation	3.5% – 5.35%
Cost of Living Adjustment	2.5%, per year for Plan 1 employees and 2.25% for Plan 2 employees
Investment rate of return	7.0%, net of pension plan investment expense, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% 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 7.0% to simplify preparation of pension liabilities.

Mortality rates: 14 % of deaths are assumed to be service related Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 – Pension Plans (Continued)

All Others (Non 10 Largest) – Non-LEOS: Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed 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.

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 – Pension Plans (Continued)

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	Long-Weighted Average Term
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
* Expected arithmetic nominal return			8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 – Pension Plans (Continued)

Change in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at June 30, 2013	\$745,974	\$422,675	\$323,299
Changes for the year:			
Service cost	33,666	-	33,666
Interest	51,210	-	51,210
Changes of assumptions	-	-	-
Differences between expected and actual experience	-	-	-
Contributions – employer	-	41,066	(41,066)
Contributions – employee	-	15,942	(15,942)
Net investment income	-	69,634	(69,634)
Benefit payments, including refunds of employee contributions	(28,811)	(28,811)	-
Administrative expense	-	(348)	348
Other changes	-	4	(4)
Net changes	56,065	97,487	(41,422)
Balances at June 30, 2014	<u>\$802,039</u>	<u>\$520,162</u>	<u>\$281,877</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 7%, 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 (6 percent) or one percentage-point higher (8 percent) than the current rate:

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Commission's Net Pension Liability	\$949,408	\$515,249	\$153,309

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

At June 30, 2015, the Commission reported a liability of \$281,877 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating the Commission, actuarially determined. At June 30, 2014, the Commission's proportion of political subdivisions was 20.5 percent.

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 – Pension Plans (Continued)

For the year ended June 30, 2015, the Commission recognized pension expense of \$30,902. At June 30, 2015, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on plan investments	-	31,258
Employer contributions subsequent to the Measurement Date	<u>29,567</u>	<u>-</u>
Total	<u>\$29,567</u>	<u>\$31,258</u>

\$31,258 reported as deferred inflows 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 year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	
2016	\$(7,814)
2017	(7,814)
2018	(7,814)
2019	(7,814)
Thereafter	-

Funded Status and Funding Progress

The actuarial value of the Commission's assets is equal to the modified market value of the assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Commission's unfunded actuarial accrued liability is being amortized as level percentage of projected payroll on an open basis. The remaining amortization period for the June 30, 2014 for the Unfunded Actuarial Accrued liability (UAAL) was 20 - 29 years.

The schedule of funding progress presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits. As of June 30, 2014, the most recent actuarial valuation date, the plan was 83.86% funded. The actuarial accrued liability for benefits was \$570,472, and the actuarial value of assets was \$478,375, resulting in an unfunded actuarial accrued asset (UAAL) (net pension asset) of \$92,097. The covered payroll (annual payroll of active employees covered by the plan) was \$325,839, and the ratio of the UAAL to the covered payroll was 28.26%.

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 – Pension Plans (Continued)

The schedule of funding progress presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UUAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/11	\$319,550	\$638,644	\$319,094	50.04%	\$293,126	108.86%
6/30/12	\$348,553	\$686,382	\$337,829	49.22%	\$263,220	128.34%
6/30/13	\$401,872	\$745,974	\$344,102	53.87%	\$326,852	105.28%
6/30/14	\$478,375	\$570,472	\$ 92,097	83.86%	\$325,839	28.26%

The Commission has also established a voluntary deferred compensation plan, pursuant to Section 457 of the Internal Revenue Code. Under this plan, any employee may elect to have a portion of their current salary retained by the Commission and invested by the plan trustees. The employee may begin to collect at termination, retirement, or disability. The Commission Board has voted to annually contribute 10% of eligible salaries. The contribution amount for the year ended June 30, 2015 was \$6,893.

NOTE 6 – Lease Commitments

The Commission was obligated under a non-cancelable operating lease for office facilities. The ten-year facility lease expired in March 2006. The lease has been continued on a month-to-month basis in the amount of \$1,800. Rent expense for the year ended June 30, 2015 was \$21,902.

NOTE 7 – 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, 2015. Loan loss reserves exist for several of the programs. No loan amounts were written off during the year.

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

NOTE 8 – Notes Payable

On October 1, 1997 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 \$6,250 commencing on November 1, 1999. The balance of this loan was \$50,000 at June 30, 2015.

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. As of June 30, 2015 \$102,671 had been drawn down against this note. The balance of this loan was \$90,171 at June 30, 2015.

The following is a summary of changes in long-term debt for the year ended June 30, 2015:

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
VRA 1997 Note	\$ 62,500	\$ -	\$12,500	\$ 50,000
VRA 2011 Note	<u>71,669</u>	<u>31,002</u>	<u>12,500</u>	<u>90,171</u>
Total	<u>\$134,169</u>	<u>\$31,002</u>	<u>\$25,000</u>	<u>\$140,171</u>

Mandatory debt service requirements consist of the following:

<u>Year ending</u> <u>June 30,</u>	<u>Total</u>
2016	\$ 25,000
2017	25,000
2018	25,000
2019	25,000
2020	12,500
Thereafter	<u>27,671</u>
Total	<u>\$140,171</u>

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 – 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, 2015, was 49.88%, and is calculated as follows:

Indirect costs	<u>\$187,713</u>
Total direct salaries, leave, and fringe benefits	\$376,337 = 49.88%

The following are included in indirect costs allocated to projects:

Salaries	\$ 85,782
Fringe benefits	27,563
Rent	21,902
Consulting/contractual services	11,552
Printing and duplicating	8,165
Accounting	6,374
Utilities	5,281
Office supplies	4,859
Depreciation	4,032
Telephone	2,894
Public officials insurance	1,899
Postage	1,779
Website/internet	1,538
Vehicle operating costs	1,166
Miscellaneous	1,040
Vehicle insurance	942
Promotion/advertising	792
Facility insurance	<u>153</u>
Total	<u>\$187,713</u>

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

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, 2015, are shown below:

Leave	
Holiday	\$20,935
Annual	23,517
Sick	<u>9,554</u>
Total	<u>\$54,006</u>

The leave allocation rate for the fiscal year ended June 30, 2015, is calculated as follows:

Leave allocation	<u>\$ 54,006</u>
Total salaries excluding leave	\$320,309 = 16.86%

NOTE 11 – 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, 2015 was 30.82%, and is calculated as follows:

Fringe benefit expense	<u>\$115,366</u>
Total salaries	\$374,315 = 30.82%

Components of fringe benefit expense for the year ended June 30, 2015, are shown below:

Fringe benefits	
Group health insurance	\$ 44,366
Retirement and special pension	36,460
Social Security taxes	27,345
Unemployment	3,473
Group life insurance	3,351
Workers compensation insurance	<u>371</u>
Total Fringe Benefits	<u>\$115,366</u>

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Concluded)

NOTE 12 – 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, 2015, 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 13 – Restatement of Beginning Net Position

The Commission implemented Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires employers participating in an agent plan to recognize a liability as employees earn their pension benefits and recognize annual pension cost under an earnings approach. As such, the financial statements report a decrease of beginning net position in the amount of \$282,233, which was the net pension liability as of the measurement date of June 30, 2013, less the employer contributions received after June 30, 2013.

The effect on fiscal year 2014 is as follows:

Net position as of June 30, 2014 as previously reported	\$ 662,349
Recognition of net pension liability	(323,299)
Reclassification of employer contributions to deferred outflow of resources	<u>41,066</u>
Net position as of June 30, 2014 as restated	<u>\$ 380,116</u>

NOTE 14 – Evaluation of Subsequent Events

The Commission has evaluated subsequent events through November 18, 2015, 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, 2015

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

SCHEDULE OF REVENUES AND EXPENSES BY PROGRAM

For the Year Ended June 30, 2015

	Local Programs	Rural Trans- portation Planning	TDM	EDA Broadband	Ditching	VCWRFR Onsite Repair
Revenues						
Federal	\$ -	\$ 58,000	\$ -	\$ 30,311	\$ 27,755	\$ -
State	75,971	-	72,593	-	-	8,601
Local	109,899	-	-	-	-	-
Interest	2,000	-	-	-	-	-
Other	11,078	-	-	-	-	-
Total Revenues	<u>198,948</u>	<u>58,000</u>	<u>72,593</u>	<u>30,311</u>	<u>27,755</u>	<u>8,601</u>
Expenses						
Salaries	26,643	35,601	31,713	16,474	14,542	-
Fringe benefits	9,837	11,463	10,212	5,305	3,950	-
Office supplies	33	26	-	-	-	-
Meeting supplies	546	-	-	-	-	-
Private mileage	58	105	-	-	-	-
Lodging and staff expense	996	-	34	75	40	-
Travel	44	475	-	-	-	-
Dues and memberships	2,300	276	1,475	-	-	-
Subscriptions and publications	82	-	-	-	-	-
Workshops	-	73	15	30	-	-
Conferences	1,351	1,646	893	396	-	-
Accounting and audit	5	-	-	-	-	-
Legal services	348	-	-	-	-	-
Consultant and contractual	-	-	-	-	-	-
Construction	-	-	-	-	-	8,601
Postage	-	-	20	-	-	-
Promotion and advertising	-	-	26,252	-	-	-
Insurance	768	-	-	-	-	-
Miscellaneous	1,718	-	15	-	-	-
Deferred/forgiven loan expense	-	-	-	-	-	-
Quarterly meeting	1,715	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Indirect expense	17,531	23,475	20,912	10,863	9,223	-
Total Expenses	<u>63,975</u>	<u>73,140</u>	<u>91,541</u>	<u>33,143</u>	<u>27,755</u>	<u>8,601</u>
Revenues Over (Under) Expenses	134,973	(15,140)	(18,948)	(2,832)	-	-
General Fund Support	<u>(75,422)</u>	<u>15,140</u>	<u>18,948</u>	<u>2,832</u>	<u>-</u>	<u>-</u>
Revenues and General Fund Support Over (Under) Expenses	<u>\$ 59,551</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Onsite Loan Management	Building Collaborative Communities	Local PAA Stewardship Public Safety	Energy Efficient CBG	Septic Pumpout	VIMS WWF	Land and Water Quality	Costal TA
\$ -	\$ -	\$ -	\$ -	\$ 11,850	\$ 4,882	\$ 19,092	\$ 25,808
-	11,141	-	-	-	-	-	-
-	-	-	-	-	-	-	-
25	-	-	46	-	-	-	-
9,184	-	1,656	612	-	-	-	-
<u>9,209</u>	<u>11,141</u>	<u>1,656</u>	<u>658</u>	<u>11,850</u>	<u>4,882</u>	<u>19,092</u>	<u>25,808</u>
2,219	10,041	-	308	3,491	2,464	5,542	21,837
714	3,233	-	99	1,124	793	1,784	6,923
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	85
-	-	-	-	-	-	-	467
-	-	-	-	-	-	-	225
-	-	-	-	-	-	-	51
-	-	-	-	-	-	-	100
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	369
-	-	-	-	-	-	-	1,625
128	-	-	43	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	4,933	-	9,000	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
4,487	-	98	5	-	-	-	-
198	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	1,558	-	-	-	-	-
1,463	6,621	-	203	2,302	1,625	3,654	14,345
<u>9,209</u>	<u>19,895</u>	<u>1,656</u>	<u>658</u>	<u>11,850</u>	<u>4,882</u>	<u>19,980</u>	<u>46,027</u>
-	(8,754)	-	-	-	-	(888)	(20,219)
<u>-</u>	<u>8,754</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>888</u>	<u>20,219</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

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

SCHEDULE OF REVENUES AND EXPENSES BY PROGRAM

For the Year Ended June 30, 2015

	Living Shorelines	King and Queen Fishing Pier	Regional Emergency Planning	Working Waterfronts Plan	Comp Plan Updates	MP-VSG Partnership
Revenues						
Federal	\$ 18,554	\$ -	\$ 50,463	\$ 28,938	\$ -	\$ -
State	-	-	-	-	-	21,464
Local	-	1,504	-	-	1,842	-
Interest	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Revenues	<u>18,554</u>	<u>1,504</u>	<u>50,463</u>	<u>28,938</u>	<u>1,842</u>	<u>21,464</u>
Expenses						
Salaries	10,323	783	23,704	14,851	930	11,588
Fringe benefits	3,324	187	7,633	4,028	299	2,690
Office supplies	-	-	18	-	-	-
Meeting supplies	-	-	32	-	-	172
Private mileage	-	67	129	20	-	-
Lodging and staff expense	-	6	32	70	-	-
Travel	-	10	-	-	-	-
Dues and memberships	-	-	75	-	-	-
Subscriptions and publications	-	-	-	15	-	-
Workshops	-	-	15	-	-	-
Conferences	-	-	3,194	-	-	-
Accounting and audit	-	-	-	-	-	-
Legal services	-	-	-	-	-	-
Consultant and contractual	-	-	-	537	-	4,000
Construction	-	-	-	-	-	-
Postage	-	22	-	-	-	-
Promotion and advertising	-	-	-	-	-	-
Insurance	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Deferred/forgiven loan expense	-	-	-	-	-	-
Quarterly meeting	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Indirect expense	6,807	483	15,631	9,417	613	7,121
Total Expenses	<u>20,454</u>	<u>1,558</u>	<u>50,463</u>	<u>28,938</u>	<u>1,842</u>	<u>25,571</u>
Revenues Over (Under) Expenses	(1,900)	(54)	-	-	-	(4,107)
General Fund Support	<u>1,900</u>	<u>54</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,107</u>
Revenues and General Fund Support Over (Under) Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MPRJ Flash Freeze Study	Middle Peninsula Business Development Partnership	PAA Administration	NH Master Plan	PAA Capt Sinclair Improvements	Water Reuse	Aberdeen TIF	Total
15,213	\$ -	\$ 20,824	\$ 51,720	\$ 15,304	6,585	25,669	\$ 410,968
-	-	-	-	-	-	-	189,770
-	-	-	4,137	-	-	-	117,382
-	171	-	-	-	-	-	2,242
-	2,999	8,746	-	-	-	-	34,275
<u>15,213</u>	<u>3,170</u>	<u>29,570</u>	<u>55,857</u>	<u>15,304</u>	<u>6,585</u>	<u>25,669</u>	<u>754,637</u>
8,151	1,580	14,951	20,710	1,690	4,525	3,875	288,536
1,876	509	4,493	5,683	544	1,188	1,248	89,139
-	-	205	-	-	7	-	289
-	-	128	-	11,908	-	-	12,871
183	-	-	-	34	-	-	1,063
-	-	24	27	14	34	52	1,629
-	-	-	-	-	-	-	580
-	-	-	-	-	-	-	4,226
-	-	-	-	-	-	-	97
2	-	-	-	-	-	-	504
-	-	-	-	-	-	-	9,105
-	39	-	-	-	-	-	215
-	-	-	-	-	-	-	348
-	-	-	16,273	-	-	18,500	53,243
-	-	-	-	-	-	-	8,601
-	-	-	-	-	-	-	42
-	-	-	-	-	-	-	26,252
-	-	-	-	-	-	-	768
-	-	71	-	-	-	-	6,394
-	-	-	-	-	-	-	198
-	-	-	-	-	-	-	1,715
-	-	-	-	-	-	-	1,558
5,001	1,042	9,698	13,164	1,114	2,850	2,555	187,713
<u>15,213</u>	<u>3,170</u>	<u>29,570</u>	<u>55,857</u>	<u>15,304</u>	<u>8,604</u>	<u>26,230</u>	<u>695,086</u>
-	-	-	-	-	(2,019)	(561)	59,551
-	-	-	-	-	2,019	561	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,551</u>

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, 2015

	Actual	Budget	Favorable (Unfavorable)
Operating Revenues			
Grants and appropriations			
Federal grants	\$ 410,968	312,268	\$ 98,700
State grants and appropriations	189,770	148,132	41,638
Local grants and appropriations	117,382	120,024	(2,642)
Miscellaneous	34,275	25,500	8,775
Total Operating Revenues	752,395	605,924	146,471
Operating Expenses			
Salaries	374,315	308,805	(65,510)
Fringe benefits	116,701	101,761	(14,940)
Consultant and contractual	73,396	41,000	(32,396)
Rent and utilities	27,183	27,502	319
Promotion and advertising	27,044	26,744	(300)
Office supplies	16,101	3,500	(12,601)
Workshops and conferences	9,942	8,250	(1,692)
Printing and duplicating	8,165	9,000	835
Legal and accounting	7,139	7,750	611
Depreciation	5,515	-	(5,515)
Bad debt	4,492	-	(4,492)
Dues and memberships	4,397	3,265	(1,132)
Website and internet	3,500	19,500	16,000
Miscellaneous	3,240	3,100	(140)
Insurance	2,994	2,994	-
Telephone	2,894	3,925	1,031
Meeting supplies and expenses	2,620	6,300	3,680
Lodging and staff expense	2,285	2,250	(35)
Postage	1,821	1,550	(271)
Vehicle costs	1,166	3,200	2,034
Subscriptions and publications	176	200	24
Total Operating Expenses	695,086	580,596	(114,490)
Operating Income	57,309	25,328	31,981
Non-Operating Revenues			
Interest income	2,242	2,050	192
Change in Net Assets	59,551	27,378	32,173
Net Position - Beginning of Year, as Restated	380,116	380,116	-
Net Position - End of Year	\$ 439,667	\$ 407,494	\$ 32,173

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, 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, 2015, 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 November 18, 2015.

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.

A handwritten signature in black ink that reads "Dunham, Aubrey & Rhodes, PLLC". The signature is written in a cursive, flowing style.

Certified Public Accountants
Chantilly, Virginia

November 18, 2015

Middle Peninsula Planning District Commission
Schedule of Changes in the Commission's Net Pension
Liability and Related Ratios
Last 10 Fiscal Years*

	<u>2015</u>
Total Pension Liability	
Service Cost	\$ 33,666
Interest on total pension liability	51,210
Differences between expected and actual experience	-
Changes in assumptions	-
Changes in benefits	-
Benefit payments, including refunds of employee contributions	(28,811)
Net change in total pension liability	56,065
Total pension liability - beginning	745,974
Total pension liability -ending (a)	<u>\$ 802,039</u>
 Plan fiduciary net position	
Contributions - employer	\$ 41,066
Contributions - employee	15,942
Net investment income	69,634
Benefits payments	(28,811)
Administrative expense	(348)
Other	4
Net change in plan fiduciary net position	97,487
Plan fiduciary net position - beginning	422,675
Plan fiduciary net position - ending (b)	<u>\$ 520,162</u>
 Commission's Net pension liability - ending (a)-(b)	<u>\$ 281,877</u>
 Plan fiduciary net position as a percentage of the total Pension liability	64.85%
 Covered - employee payroll	\$ 374,315
 Commission's net pension liability as percentage of covered-employee payroll	75.30%

* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

See accompanying notes

Middle Peninsula Planning District Commission
Schedule of Employer Contributions
For the Year Ended June 30, 2015
Last 10 Fiscal Years*

	<u>2015</u>
Contractually Required Contribution	\$ 29,567
Contributions in Relation to the Contractually Required Contribution	<u>29,567</u>
Contribution Deficiency / (Excess)	<u>\$ -</u>
Employer's Covered-Employee Payroll	\$ 374,315
Contributions as a % of Covered-Employee Payroll	7.90%

* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2015

NOTE 1 – Change of Benefit Terms

There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013, and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

NOTE 2 – Changes of Assumptions

The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 –LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability