

**MIDDLE PENINSULA PLANNING
DISTRICT COMMISSION**

**AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

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
JUNE 30, 2011

Margaret H. Davis - Essex County
Edwin E. Smith - Essex County
David S. Whitlow - Essex County
Maurice P. Lynch - Gloucester County
John Northstein - Gloucester County
Louise D. Theberge - Gloucester County
Sherrin C. Alsop - King and Queen County
Thomas J. Swartzwelder - King and Queen County
Trenton Funkhouser - King William County
Eugene Rivara - King William County
Cecil L. Schools - King William County
Otto O. Williams - King William County
Charles D. Gordon - Town of West Point
Janine F. Burns - Mathews County
O. J. Cole, Jr. - Mathews County
Thornton Hill - Mathews County
Stephen K. Whiteway - Mathews County
Wayne H. Jessie, Sr. - Middlesex County
Carlton Revere - Middlesex County
Kenneth W. Williams - Middlesex County
Mayor Donald Richwine - Town of Urbanna

Dunham, Aukamp & Rhodes, PLC
Certified Public Accountants

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P.O. Box 2584
Winchester, VA 22604

INDEPENDENT AUDITORS' REPORT

To the Commissioners
Middle Peninsula Planning District Commission
Saluda, Virginia

We have audited the accompanying financial statements of the Middle Peninsula Planning District Commission, as of and for the year ended June 30, 2011 as listed in the table on contents. These financial statements are the responsibility of the Commission's management. 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of June 30, 2011, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2011 on our consideration of the 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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management discussion and analysis and budgetary comparison information on pages 4 through 7 and 22 be present to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Middle Peninsula Planning District Commission basic financial statements. The accompanying schedule of revenues and expenses by program is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Dunham, Aubrey & Rhodes, PLLC

Certified Public Accountants
Chantilly, Virginia

October 7, 2011

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, 2011. 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 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 Assets 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 assets 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 Assets 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 Assets June 30,

	<u>2011</u>	<u>2010</u>
Current Assets	\$783,982	\$956,326
Capital Assets (net)	<u>22,031</u>	<u>35,410</u>
Total Assets	<u>806,013</u>	<u>991,736</u>
Current Liabilities	207,880	283,385
Long-Term Liabilities	<u>98,659</u>	<u>100,000</u>
Total Liabilities	<u>306,539</u>	<u>383,385</u>
Invested in Capital Assets	22,031	35,410
Unrestricted	<u>477,443</u>	<u>572,941</u>
Total Net Assets	<u>\$499,474</u>	<u>\$608,351</u>

Current assets decreased during the year by approximately \$172,000 primarily as a result of decreases in local and base funding in conjunction with increased provision of regional services and studies.

Current liabilities decreased during the year by approximately \$75,000 primarily as a result of a decrease in deferred revenue from projects that were unable to be completed during the time originally anticipated.

Long-term liabilities decreased by approximately \$2,000 during the current year, as the Commission made scheduled principal payments on the VRA loan in the amount of \$12,500, and received proceeds of \$11,159 from a new loan with VRA.

Total net assets decreased by approximately \$109,000 this year. This reflects the overall current state of the economy and the reliance placed on the MPPDC general fund to offset funding reductions and unanticipated expenses for local initiatives throughout the year.

Summary Statements of Activities

For the Years Ended June 30,

	<u>2011</u>	<u>2010</u>
Revenues		
Operating revenues	\$720,425	\$884,381
Interest	<u>4,792</u>	<u>7,504</u>
Total Revenues	<u>725,217</u>	<u>891,885</u>
Expenses		
General and administration	111,374	113,839
Project costs	<u>722,720</u>	<u>879,766</u>
Total expenses	<u>834,094</u>	<u>993,605</u>
Change in net assets	(108,877)	(101,720)
Net assets at beginning of year	<u>608,351</u>	<u>710,071</u>
Net assets at end of year	<u>\$499,474</u>	<u>\$608,351</u>

Operating revenues decreased by approximately \$164,000 from the prior year and project expenses decreased by approximately \$157,000 from the prior year. It is not uncommon for these figures to change substantially from year to year due to the timing of the start and/or finish of grant projects and the potential for significant differences in the Commission's work program based on changes in the Commission's priorities.

The Commission has experienced significant losses in 2010 and 2011. The Commission reduced local dues by 50% during FY10 and FY11 to assist its member localities. To eliminate the continuation of operating losses the Commission underwent a strategic planning exercise in the Spring of 2011 to examine the programs most important to its stakeholders and to begin to identify new potential funding sources to operate these programs. The Commission has formed an Executive Regional Planning Committee to continue these efforts, to examine the local dues structure, and to make recommendations to the Commission.

In FY 2011 budgeted revenues exceeded actual revenues by approximately \$20,000 because several projects were extended due to staff reductions and a major anticipated federal program was not funded until June.

Actual expenses exceeded budgeted expenses for construction and consultant costs by \$64,000 as a result of new funding for the Commission's Onsite Repair Program which assists homeowners in repairing failing septic systems, the MPPDC Strategic Planning event, and a Due Diligence component for the MP Broadband Application.

Actual costs of fringe benefits were under budget by \$26,000 due to staff reductions including the retirement of the longtime MPPDC Executive Director. Several positions will remain vacant until such time as new funding sources have been identified and secured.

Capital Assets

The capital assets in the governmental funds consist of computer equipment, furniture 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 \$100,000. 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. As of June 30, 2011 \$11,159 had been drawn on the new loan.

Economic Factors and Future Outlook

Presently, management of the Commission is well 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.

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 Assets
June 30, 2011

ASSETS

Current Assets

Cash and cash equivalents	\$ 523,722
Restricted cash	12,500
Accounts receivable	114,500
Loans receivable	133,187
Employee advances	73
Total Current Assets	<u>783,982</u>

Capital Assets

Property and equipment	99,747
Accumulated depreciation	<u>(77,716)</u>
Total Capital Assets	<u>22,031</u>

Total Assets	<u><u>806,013</u></u>
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LIABILITIES

Current Liabilities

Accounts payable	27,947
Deferred revenue	146,840
Accrued leave payable	20,593
Current portion of notes payable	<u>12,500</u>
Total Current Liabilities	<u>207,880</u>

Long-Term Liabilities

Notes payable, net of current portion	<u>98,659</u>
Total Liabilities	<u>306,539</u>

NET ASSETS

Net Assets

Invested in capital assets, net of related debt	22,031
Unrestricted	<u>477,443</u>
Total Net Assets	<u>499,474</u>

Total Liabilities and Net Assets	<u><u>\$ 806,013</u></u>
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See accompanying notes

Middle Peninsula Planning District Commission
Statement of Revenue, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2011

Operating Revenues

Grants and appropriations	\$ 305,872
Federal grants	135,207
State grants and appropriations	136,168
Local grants and appropriations	143,178
Miscellaneous	<u>720,425</u>
Total Operating Revenues	

Operating Expenses

Salaries	384,175
Consultant and contractual	145,216
Fringe benefits	133,316
Rent and utilities	25,746
Promotion and advertising	24,841
Construction	19,798
Legal and accounting	18,463
Printing and duplicating	13,876
Depreciation	13,379
Workshops and conferences	10,397
Office supplies	8,826
Telephone	6,530
Meeting supplies and expenses	5,950
Insurance	5,219
Deferred/forgiven loan expense	3,996
Miscellaneous	3,311
Vehicle costs	3,122
Postage	2,356
Lodging and staff expense	1,955
Dues and memberships	1,760
Travel	1,596
Subscriptions and publications	266
Total Operating Expenses	<u>834,094</u>

Operating Income (Loss) (113,669)

Non-Operating Revenues

Interest income 4,792

Change in Net Assets (108,877)

Net Assets - Beginning of Year 608,351

Net Assets - End of Year \$ 499,474

See accompanying notes

Middle Peninsula Planning District Commission
Statement of Cash Flows
For the Year Ended June 30, 2011

Cash Flows from Operating Activities

Received from customers	\$ 620,374
Paid to suppliers for goods and services	(408,300)
Paid to employees for services	(393,882)
Net Cash Flows from Operating Activities	<u>(181,808)</u>

Cash Flows from Capital and Related Financing Activities

Proceeds from note payable	11,159
Principal paid on notes payable	(12,500)
Net Cash Flows from Capital and Related Financing Activities	<u>(1,341)</u>

Cash Flows from Investing Activities

Disbursement for new loans made	(22,622)
Loan payments received	36,777
Interest income	4,792
Net Cash Flows from Investing Activities	<u>18,947</u>

Net Change in Cash and Cash Equivalents	(164,202)
Cash and Cash Equivalents - Beginning of Year	<u>700,424</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 536,222</u></u>

**Reconciliation of Operating Income to Net Cash
Flows from Operating Activities**

Operating income	\$ (113,669)
Depreciation	13,379
Changes in Assets and Liabilities	
Accounts receivable	(6,874)
Employee advances	861
Accounts payable	27,379
Deferred revenue	(93,177)
Accrued annual leave	(9,707)
Net Cash Flows from Operating Activities	<u><u>\$ (181,808)</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, from funds provided by the Commonwealth of Virginia, and from 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) Financial Statement Presentation – In June 1999 GASB issued Statement #34 “Basic Financial Statements and Management Discussion and Analysis for State and Local Governments.” This Statement established new financial reporting requirements for state and local governments. The objective of this statement is to enhance the understanding and usefulness of the external financial reports of state and local governments to the citizenry, legislative and oversight bodies, and investors and creditors.
- (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) the American Institute of Certified Public Accountants in the Publication entitled Audits of State and Local Government Units 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. The Commission considers grant revenue as earned when the grant expenditure is incurred. Expenditures are recorded when the related liability 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.

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 8. Personnel costs for Commission employees, including overtime and compensatory time, are direct charges to the appropriate projects. Expenses of annual, sick, and other types of paid leave and fringe benefits are allocated to projects as described in Notes 6 and 8.
- (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) Deposits 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.
- (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, 2011, and no allowance for doubtful accounts has been provided.
- (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 \$12,176 as of June 30, 2011.

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 \$8,417 as of June 30, 2011.
- (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.

NOTE 2 - Cash and Investments

Deposits are carried at cost, which approximates fair market value. At June 30, 2011 the carrying amount of the Commission's deposits with banks was \$488,988 and the bank balances were \$503,153. 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 \$47,235 at June 30, 2011.

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.

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - Pension Plan

The Commission contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan that acts as a common investment and administrative agent for political subdivisions in the Commonwealth of Virginia. All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with five years of service or at age 50 with 30 years of service if elected by the employer payable monthly for life in an amount equal to 1.70% of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for an annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5.0% per year. AFC is defined as the highest consecutive 36 months of reported compensation. The VRS plan also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report is available on their website at <http://www.varetire.org/Pdf/Publications/2010-Annual-Report.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Funding Policy - Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.0% of their annual reported compensation to the VRS. This 5.0% member contribution has been assumed by the employer. In addition, the Commission is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The Commission's contribution rate for the fiscal year ended June 30, 2011 was 11.25% of the annual covered payroll.

Annual Pension Cost - For the year ended June 30, 2011, the Commission's annual pension cost of \$58,815 for VRS was equal to the Commission's required and actual contributions.

Three-Year Trend Information

Fiscal Year <u>Ended</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension Obligation
6/30/09	\$75,626	100%	\$75,626
6/30/10	\$58,815	100%	\$58,815

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - Pension Plans (Continued)

The FY10 required contribution was determined as part of the June 30, 2010 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2010 included (a) an investment rate of return (net of administrative expenses) of 7.0%, (b) projected salary increases ranging from 3.75% to 5.60%, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases also include an inflation component of 2.50%. 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, 2010 actuarial valuation was 20 years.

Funded Status and Funding Progress - 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)
6/30/09	\$128,115	\$352,764	\$224,648	36.32%	\$480,030	46.80%
6/30/10	\$253,212	\$537,855	\$284,643	47.07%	\$436,300	65.24%

NOTE 5 - Property and Equipment

A summary of property and equipment as of June 30, 2011 is as follows:

	Balance July 1, 2010	Additions	Disposals	Balance June 30, 2011
Equipment	\$99,747	\$ -	\$ -	\$99,747
Accumulated Depreciation	<u>64,337</u>	<u>13,686</u>	<u>-</u>	<u>77,716</u>
Net	<u>\$35,410</u>	<u>\$13,686</u>	<u>\$ -</u>	<u>\$22,031</u>

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

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, 2011 was \$21,577.

NOTE 7 - 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 \$100,000 at June 30, 2011.

On February 10, 2011 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 August 1, 2013. As of June 30, 2011 \$11,159 had been drawn down against this note.

The following is a summary of changes in long-term debt for the year ended June 30, 2011:

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
VRA 1997 Note	\$112,500	\$ -	\$12,500	\$100,000
VRA 2011 Note	-	11,159	-	11,159
Total	<u>\$112,500</u>	<u>\$11,159</u>	<u>\$12,500</u>	<u>\$111,159</u>

Mandatory debt service requirements consist of the following:

<u>Year ending</u> <u>June 30,</u>	<u>Total</u>
2012	\$ 12,500
2013	12,500
2014	23,659
2015	12,500
2016	12,500
Thereafter	<u>37,500</u>
Total	<u>\$111,159</u>

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - 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, 2011, was 60.66%, and is calculated as follows:

Indirect costs	<u>\$228,082</u>
Total direct salaries, leave, and fringe benefits	\$375,974 = 60.66

The following are included in indirect costs allocated to projects:

Salaries	\$105,059
Fringe benefits	36,457
Rental	21,577
Printing and duplicating	13,876
Depreciation	11,679
Consulting/contractual services	9,507
Accounting	5,504
Telephone	4,960
Utilities	4,169
Facility insurance	3,210
Office supplies	2,799
Postage	2,244
Vehicle operating costs	2,171
Conferences	1,793
Subscriptions and publications	1,160
Vehicle insurance	950
Equipment/supplies expense	525
Lodging and staff expenses	412
Miscellaneous	<u>30</u>
Total	<u>\$228,082</u>

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Concluded)

NOTE 9 - 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, 2011, are shown below:

Leave	
Annual	\$25,619
Holiday	20,037
Sick	<u>14,032</u>
Total	<u>\$59,688</u>

The leave allocation rate for the fiscal year ended June 30, 2011, is calculated as follows:

Leave allocation	<u>\$ 59,688</u>
Total salaries excluding leave	\$324,487 = 18.39%

NOTE 10 - 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, 2011 was 34.70%, and is calculated as follows:

Fringe benefit expense	<u>\$133,315</u>
Total salaries	\$384,175 = 34.70%

Components of fringe benefit expense for the year ended June 30, 2011, are shown below:

Fringe benefits	
Retirement and special pension	\$ 58,815
Group health insurance	43,655
Social Security taxes	28,683
Group life insurance	1,013
Workers compensation insurance	646
Unemployment	<u>503</u>
Total Fringe Benefits	<u>\$133,315</u>

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS (Concluded)

NOTE 11 - 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, 2011, 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 12 –Evaluation of Subsequent Events

The Commission has evaluated subsequent events through October 17, 2011, 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, 2011

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

SCHEDULE OF REVENUES AND EXPENSES BY PROGRAM
For the Year Ended June 30, 2011

	Local Programs	Rural Trans- portation Planning	Rideshare Project	Water Supply Planning	VCWRFR Onsite Repair	Onsite Loan Management
Revenues						
Federal	\$ -	\$ 58,000	\$ -	\$ -	\$ 6,063	\$ -
State	66,062	-	59,544	-	-	-
Local	61,481	-	-	12,204	-	-
Interest	4,752	-	-	-	-	3,381
Other	4,908	-	-	-	-	15,027
Total Revenues	<u>137,203</u>	<u>58,000</u>	<u>59,544</u>	<u>12,204</u>	<u>6,063</u>	<u>18,408</u>
Expenses						
Salaries	32,289	32,968	20,067	4,062	-	3,177
Fringe benefits	11,206	11,441	6,964	1,410	-	1,102
Telephone	-	-	890	-	-	-
Website	-	-	121	-	-	-
Office supplies	58	-	-	-	-	-
Meeting supplies	1,434	72	-	-	-	-
Private mileage	102	94	66	-	-	-
Lodging and staff expense	712	72	102	-	-	27
Travel	18	36	94	-	-	-
Dues and memberships	-	25	575	-	-	-
Subscriptions and publications	251	-	-	-	-	-
Workshops	-	27	40	-	-	-
Conferences	210	592	3,331	-	-	-
Data processing	-	-	-	-	-	-
Professional development	-	980	-	-	-	-
Accounting and audit	69	-	-	-	-	582
Legal services	2,001	-	-	-	-	63
Consultant and contractual	31,871	-	1,184	3,412	-	-
Construction	-	-	-	-	6,063	6,805
Postage	44	18	-	-	-	-
Promotion and advertising	-	-	24,684	-	-	-
Insurance	753	-	-	-	-	-
Miscellaneous	1,329	-	-	-	-	60
Deferred/forgiven loan expense	-	-	-	-	-	3,996
Quarterly meeting	2,643	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Indirect expense	26,384	26,940	16,398	3,320	-	2,596
Total Expenses	<u>111,374</u>	<u>73,265</u>	<u>74,516</u>	<u>12,204</u>	<u>6,063</u>	<u>18,408</u>
Revenues Over (Under) Expenses	25,829	(15,265)	(14,972)	-	-	-
General Fund Support	<u>(134,706)</u>	<u>15,265</u>	<u>14,972</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and General Fund Support Over (Under) Expenses	<u>\$ (108,877)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WQIF	Local PAA Stewardship Public Safety	Energy Efficient CDBG	Septic Pumpout	Middle Peninsula Disability Service Board	VADSB Employment Grant	Costal TA	Climate Change
\$ -	\$ -	\$ 53,643	\$ -	\$ -	\$ 40,596	\$ 29,913	\$ 35,342
2,726	-	-	4,675	200	-	-	-
-	-	-	-	30,214	-	-	-
-	-	-	-	-	-	-	-
-	1,700	-	-	-	-	-	-
<u>2,726</u>	<u>1,700</u>	<u>53,643</u>	<u>4,675</u>	<u>30,414</u>	<u>40,596</u>	<u>29,913</u>	<u>35,342</u>
446	-	15,073	646	7,311	3,503	25,432	32,547
155	-	5,231	224	2,537	1,216	8,826	11,294
-	-	-	-	25	-	-	-
-	-	-	-	162	-	-	-
-	-	-	-	3,398	-	185	936
-	-	-	-	438	-	212	-
-	-	-	-	5	-	316	13
-	-	30	-	27	-	448	41
-	-	-	-	15	-	34	12
-	-	-	-	-	-	-	-
-	-	-	-	-	-	15	-
-	-	-	-	-	-	35	30
-	-	-	-	-	-	700	1,235
-	-	-	-	-	-	540	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	3,422	-	-	-
-	-	20,991	-	6,999	33,015	3,500	-
2,125	-	-	4,805	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	100	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	1,700	-	-	-	-	-	-
365	-	12,318	529	5,975	2,862	20,782	26,597
<u>3,091</u>	<u>1,700</u>	<u>53,643</u>	<u>6,204</u>	<u>30,414</u>	<u>40,596</u>	<u>61,025</u>	<u>72,705</u>
(365)	-	-	(1,529)	-	-	(31,112)	(37,363)
<u>365</u>	<u>-</u>	<u>-</u>	<u>1,529</u>	<u>-</u>	<u>-</u>	<u>31,112</u>	<u>37,363</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, 2011

	Aquaculture and Working Waterfronts	Emergency Management	Shallow Water Dredging Master Plan	Matthews Aquaculture CDBG Assistance	Dragon Run Day	Dragon Run Samp
Revenues						
Federal	\$ 15,438	\$ 1,480	\$ 2,000	\$ -	\$ -	\$ 24,425
State	-	-	-	-	-	-
Local	-	15,914	-	3,000	-	-
Interest	-	-	-	-	-	-
Other	-	-	-	-	9	-
Total Revenues	<u>15,438</u>	<u>17,394</u>	<u>2,000</u>	<u>3,000</u>	<u>9</u>	<u>24,425</u>
Expenses						
Salaries	6,515	10,564	-	1,400	-	11,445
Fringe benefits	2,261	3,666	-	486	-	3,971
Telephone	-	-	-	-	-	-
Website	-	-	-	-	-	-
Office supplies	26	-	-	16	-	101
Meeting supplies	-	-	-	-	9	136
Private mileage	-	-	-	25	-	30
Lodging and staff expense	8	-	-	82	-	158
Travel	8	-	-	-	-	-
Dues and memberships	-	-	-	-	-	-
Subscriptions and publications	-	-	-	-	-	-
Workshops	-	-	-	-	-	-
Conferences	975	-	-	-	-	-
Data processing	-	-	-	-	-	-
Professional development	-	-	-	-	-	-
Accounting and audit	-	-	-	-	-	-
Legal services	-	-	-	-	-	-
Consultant and contractual	1,666	-	26,500	-	-	-
Construction	-	-	-	-	-	-
Postage	35	-	-	-	-	-
Promotion and advertising	-	-	-	157	-	-
Insurance	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Deferred/forgiven loan expense	-	-	-	-	-	-
Quarterly meeting	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Indirect expense	5,324	8,633	-	1,144	-	9,353
Total Expenses	<u>16,818</u>	<u>22,863</u>	<u>26,500</u>	<u>3,310</u>	<u>9</u>	<u>25,194</u>
Revenues Over (Under) Expenses	(1,380)	(5,469)	(24,500)	(310)	-	(769)
General Fund Support	<u>1,380</u>	<u>5,469</u>	<u>24,500</u>	<u>310</u>	<u>-</u>	<u>769</u>
Revenues and General Fund Support Over (Under) Expenses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

Middle Peninsula Business Development Partnership	PAA Administration	Conservation Corridors Plan	Floating Homes Law and Policy	Mount Olive	General Assembly Lobby	Total
\$ -	\$ -	\$ 36,727	\$ 4,245	\$ -	\$ -	\$ 307,872
-	-	-	-	-	-	133,207
-	-	-	-	8,155	5,200	136,168
-	2	-	-	-	-	8,135
107,958	10,233	-	-	-	-	139,835
<u>107,958</u>	<u>10,235</u>	<u>36,727</u>	<u>4,245</u>	<u>8,155</u>	<u>5,200</u>	<u>725,217</u>
49,359	-	16,379	2,185	3,744	-	279,112
17,128	-	5,684	758	1,299	-	96,859
655	-	-	-	-	-	1,570
-	-	-	-	-	-	283
-	-	780	-	-	-	5,500
-	413	587	-	-	-	3,301
-	105	7	-	23	-	786
62	59	46	-	-	-	1,874
-	-	254	-	8	-	479
-	-	-	-	-	-	600
-	-	-	-	-	-	266
-	-	-	-	-	-	132
-	615	724	91	-	-	8,473
-	-	-	-	-	-	540
-	-	-	-	-	-	980
420	-	-	-	-	-	1,071
-	6,402	-	-	-	-	11,888
-	1,369	-	-	-	5,200	135,707
-	-	-	-	-	-	19,798
-	16	-	-	-	-	113
-	-	-	-	-	-	24,841
-	1,256	-	-	-	-	2,009
-	-	-	-	-	-	1,489
-	-	-	-	-	-	3,996
-	-	-	-	-	-	2,643
-	-	-	-	-	-	1,700
40,334	-	13,385	1,786	3,059	-	228,084
<u>107,958</u>	<u>10,235</u>	<u>37,846</u>	<u>4,820</u>	<u>8,133</u>	<u>5,200</u>	<u>834,094</u>
-	-	(1,119)	(575)	22	-	(108,877)
-	-	1,119	575	(22)	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (108,877)</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, 2011

	Actual	Budget	Favorable (Unfavorable)
Operating Revenues			
Grants and appropriations			
Federal grants	\$ 307,872	\$ 396,853	\$ (88,981)
State grants and appropriations	133,207	118,062	15,145
Local grants and appropriations	136,168	97,801	38,367
Miscellaneous	143,178	123,865	19,313
Total Operating Revenues	<u>720,425</u>	<u>736,581</u>	<u>(16,156)</u>
Operating Expenses			
Salaries	384,175	376,615	(7,560)
Fringe benefits	133,316	160,081	26,765
Construction	19,798	-	(19,798)
Consultant and contractual	135,709	70,867	(64,842)
Rent and utilities	25,746	27,802	2,056
Promotion and advertising	24,841	14,750	(10,091)
Information technology	9,507	16,050	6,543
Printing and duplicating	13,876	16,500	2,624
Deferred/forgiven loan expense	3,996	-	(3,996)
Depreciation	13,379	8,987	(4,392)
Office supplies	8,826	5,500	(3,326)
Telephone	6,530	6,000	(530)
Workshops and conferences	10,397	5,500	(4,897)
Legal and accounting	18,463	10,500	(7,963)
Vehicle costs	3,122	2,950	(172)
Meeting supplies and expenses	5,950	6,500	550
Insurance	5,219	5,219	-
Postage	2,356	3,000	644
Lodging and staff expense	1,955	1,800	(155)
Private mileage	1,596	1,000	(596)
Miscellaneous	3,311	-	(3,311)
Dues and memberships	1,760	750	(1,010)
Subscriptions and publications	266	-	(266)
Total Operating Expenses	<u>834,094</u>	<u>740,371</u>	<u>(93,723)</u>
Operating Income (Loss)	(113,669)	(3,790)	(109,879)
Non-Operating Revenues			
Interest income	4,792	3,790	1,002
Change in Net Assets	<u>(108,877)</u>	<u>-</u>	<u>(108,877)</u>
Net Assets - Beginning of Year	<u>608,351</u>	<u>608,351</u>	<u>-</u>
Net Assets - End of Year	<u>\$ 499,474</u>	<u>\$ 608,351</u>	<u>\$ (108,877)</u>

See accompanying notes

Dunham, Aukamp & Rhodes, PLC
Certified Public Accountants

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P.O. Box 2584
Winchester, VA 22604

**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 the financial statements of the Middle Peninsula Planning District Commission as of and for the year ended June 30, 2011, and have issued our report thereon dated October 7, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Middle Peninsula Planning District Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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 a 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.

Our consideration of the 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 over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Middle Peninsula Planning District Commission's financial statements are free of 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*.

This report is intended solely for the information and use of the Executive Committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Dunkley & Blodgett, LLC". The signature is fluid and cursive, with the letters "D", "B", and "C" being particularly prominent.

Certified Public Accountants
Chantilly, Virginia

October 7, 2011