MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

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

Maurice P. Lynch - Gloucester County

John Northstein - Gloucester County

Sherrin C. Alsop - King and Queen County

James Milby - King and Queen County

Thomas J. Swartzwelder - King and Queen County

Travis J. Moskalski - King William County

Eugene Rivara - King William County

Otto O. Williams - King William County

O. J. Cole, Jr. - Mathews County

Thornton Hill - Mathews County

Charles E. Ingram - Mathews County

Melinda Moran - Mathews County

Elizabeth Hurd - Middlesex County

Wayne H. Jessie, Sr. - Middlesex County

Matthew Walker - Middlesex County

Roy M. Gladding - Town of Tappahannock

Donald Richwine - Town of Urbanna

John B. Edwards - Town of West Point

James H. Hudson, III - 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 governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Middle Peninsula Planning District Commission as of and for the year ended June 30, 2013, 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.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented components units, each major fund, and the aggregate remaining fund information of the Middle Peninsula Planning District Commission as of June 30, 2013 and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of revenue and expenses, and budgetary comparison information on pages 4 through 7 and pages 21 through 23 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.

Dunham, Aukamp & Rhodes, PLC

Certified Public Accountants
Chantilly, Virginia

November 20, 2013

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, 2013. 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,

	2013	**2012**
Current Assets	$884,920	$893,207
Capital Assets (net)	15,457	12,614
Total Assets	900,377	905,821
Current Liabilities	145,288	130,252
Long-Term Liabilities	101,360	96,784
Total Liabilities	246,648	227,036
Invested in Capital Assets	15,457	12,614
Unrestricted	638,272	666,171
Total Net Assets	$653,729	$678,785

Current assets decreased during the year by approximately $8,300. MPPDC serves as fiscal agent for the Middle Peninsula Chesapeake Bay Public Access Authority (MPCBPAA). MPCBPAA had unreimbursed expenditures of approximately $19,200 in FY13. Management and the MPCBPAA Board determined that MPCBPAA's financials had become sufficiently complex to warrant a separate accounting system and thus MPCBPAA assets and liabilities were removed from MPPDC books at the end of the year. Discounting MPCBPAA assets and expenditures, MPPDC current assets actually increased by approximately $12,700.

Current liabilities increased during the year by approximately $15,000 primarily as a result of the booking of the 2010 VRA loan payments which will commence in FY2014 and an increase in accrued leave payable.

Long-term liabilities increased by approximately $4,600 during the current year, as the Commission made scheduled principal payments on the 1997 VRA loan in the amount of $12,500, and received proceeds of $29,576 from the 2010 loan with VRA.

Total net assets decreased by approximately $25,000 this year due in large part to an increase in matching fund requirements of grants obtained to further the work program of the Commission, most especially for the Stormwater Management Program funded by a grant through the Virginia Department of Conservation and Recreation (DCR). DCR does not allow for the reimbursement of indirect costs on its grants necessitating Management to treat this unreimbursed expense as matching funds.

Summary Statements of Activities

	For the Years Ended June 30,	
	2013	**2012**
Revenues		
Operating revenues	$863,784	$ 956,184
Assumption of Small Business and Housing Loan Portfolios	-	188,480
Interest	2,969	3,392
Total Revenues	866,753	1,148,056
Expenses		
General and administration	64,245	39,207
Project costs	827,564	929,538
Total Expenses	891,809	968,745
Change in net assets	(25,056)	179,311
Net assets at beginning of year	678,785	499,474
Net assets at end of year	$653,729	$ 678,785

Operating revenues decreased by approximately $90,000 and project expenses decreased by approximately $100,000 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.

In FY 2013 actual revenues came in over budgeted revenues by approximately $192,000 mainly because of 2 "technical assistance awards" received totaling $150,000 that management had not anticipated needing to document in the budget as no funding was to be received. These awards provided technical assistance to the MPPDC in the form of consulting services at no cost to the organization. Additionally several small federal grants were received that had not been anticipated. 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. In this instance several opportunities became available from reprogrammed CZM funding late in the year.

Actual expenses exceeded budgeted expenses for consultant and contractual costs by approximately $182,000 as a result of the unbudgeted "technical assistance consulting services" discussed above and due to continuation of reduced staffing in the first half of the year necessitating contracting out of services unable to be provided by existing staff. Actual personnel costs were approximately $25,000 over budget due primarily to the hiring of a new planner in December to provide staffing for the Stormwater Management program.

General Administration expenses increased by $25,000 as increased overall staffing allowed management the opportunity to reorganize and return administrative staff to more administrative duties and key administrative staff were promoted with accompanying higher compensation. Project costs decreased by $100,000 due to the decrease in operating revenues and size and scope of funded projects. It is not unusual for the project costs to change substantially based on the projects funded from year to year and the priorities of the Commission.

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 $75,000. 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, 2013 $51,360 had been drawn on the new loan and an additional $51,360 on the "principal forgiveness loan".

Economic Factors and Future Outlook

Presently, management of the Commission is aware of the changing federal, state, regional and local economic climate and is working to comprehensively understand, address and plan for the future security of the Commission consistent with the evolving new economic model. 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 Circular A-21 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 Assets
June 30, 2013

ASSETS	
Current Assets	
Cash and cash equivalents	$ 477,874
Restricted cash	12,500
Accounts receivable	121,443
Loans receivable	273,103
Total Current Assets	884,920
Capital Assets	
Property and equipment	112,466
Accumulated depreciation	(97,009)
Total Capital Assets	15,457
Total Assets	900,377
LIABILITIES	
Current Liabilities	
Deferred revenue	89,531
Accrued leave payable	30,757
Current portion of notes payable	25,000
Total Current Liabilities	145,288
Long-Term Liabilities	
Notes payable, net of current portion	101,360
Total Liabilities	246,648
NET ASSETS	
Net Assets	
Invested in capital assets, net of related debt	15,457
Unrestricted	638,272
Total Net Assets	653,729
Total Liabilities and Net Assets	$ 900,377

See accompanying notes

Middle Peninsula Planning District Commission
Statement of Revenue, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2013

Operating Revenues		
Grants and appropriations		
Federal grants	$	292,630
State grants and appropriations		212,957
Local grants and appropriations		120,240
Miscellaneous		237,957
Total Operating Revenues		863,784
Operating Expenses		
Salaries		315,904
Consultant and contractual		255,270
Fringe benefits		110,275
Construction		73,567
Promotion and advertising		30,613
Rent and utilities		25,118
Legal and accounting		18,018
Workshops and conferences		11,155
Depreciation		8,954
Printing and duplicating		8,742
Insurance		8,292
Meeting supplies and expenses		5,769
Miscellaneous		4,473
Telephone		3,184
Dues and memberships		3,131
Office supplies		2,745
Vehicle costs		2,727
Lodging and staff expense		1,574
Postage		1,279
Travel		507
Subscriptions and publications		276
Deferred/forgiven loan expense		171
Bad debt		65
Total Operating Expenses		891,809
Operating Income (Loss)		(28,025)
Non-Operating Revenues		
Interest income		2,969
Change in Net Assets		(25,056)
Net Assets - Beginning of Year		678,785
Net Assets - End of Year	$	653,729

See accompanying notes

Middle Peninsula Planning District Commission
Statement of Cash Flows
For the Year Ended June 30, 2013

Cash Flows from Operating Activities	
Received from customers	$ 828,435
Paid to suppliers for goods and services	(558,053)
Paid to employees for services	(315,904)
Net Cash Flows from Operating Activities	(45,522)
Cash Flows from Capital and Related Financing Activities	
Proceeds from note payable	29,576
Principal paid on notes payable	(12,500)
Net Cash Flows from Capital and Related Financing Activities	17,076
Cash Flows from Investing Activities	
Disbursement for new loans made	(46,273)
Purchases of property and equipment	(11,693)
Loan payments received	63,383
Interest income	2,969
Net Cash Flows from Investing Activities	8,386
Net Change in Cash and Cash Equivalents	(20,060)
Cash and Cash Equivalents - Beginning of Year	510,434
Cash and Cash Equivalents - End of Year	$ 490,374

Reconciliation of Operating Income to Net Cash Flows from Operating Activities	
Operating income (loss)	$ (28,025)
Depreciation	8,850
Changes in Assets and Liabilities	
Accounts receivable	(28,883)
Employee advances	-
Accounts payable	-
Deferred revenue	(6,466)
Accrued annual leave	9,002
Net Cash Flows from Operating Activities	$ (45,522)

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 9. 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 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) 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, 2013, 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 $19,776 as of June 30, 2013.

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 $10,981 as of June 30, 2013.

(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, 2013 the carrying amount of the Commission's deposits with banks was $424,268 and the bank balances were $477,503. 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 $66,106 at June 30, 2013.

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 – 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. The plan is administered by the Virginia Retirement System (System).

Plan Description

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

All full-time, salaried permanent (professional) employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who were vested as of July 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least five years of service credit or age 50 with at least ten years of service credit.

- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 4 – Pension Plans (Continued)

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan1, the COLA cannot exceed 5.00% under Plan 2, the COLA cannot exceed 3.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS 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 (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/2012-annual-report.pdf or 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% of their compensation toward their retirement. All or part of the 5% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees, employers were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% 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. 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 *Code of Virginia* and approved by the VRS Board of Trustees. The Commission's contribution rate for the fiscal year ended June 30, 2013 was 12.88 % of the annual covered payroll.

Annual Pension Cost – For the year ended June 30, 2013, the Commission's annual pension cost of $39,438 for VRS was equal to the Commission's required and actual contributions.

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/11	$58,815	100%	$58,815
6/30/12	$42,920	100%	$42,920
6/30/13	$39,438	100%	$39,438

The FY 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. 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, 2011 for the Unfunded Actuarial Accrued liability (UAAL) was 30 years.

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 4 – Pension Plans (Continued)

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)
6/30/10	$253,212	$537,855	$284,643	47.08%	$436,300	65.24%
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%

NOTE 5 – Property and Equipment

A summary of property and equipment as of June 30, 2013 is as follows:

	Balance July 1, 2012	Additions	Disposals	Balance June 30, 2013
Equipment	$100,773	$ 11,693	$ -	$112,466
Accumulated Depreciation	(88,159)	(8,850)	-	(97,009)
Net	$ 12,614	$ (2,843)	$ -	$ 15,457

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. The Commission subleases a portion of its office to various community organizations under month-to-month operating leases of $150 to $200 per month. Rent expense for the year ended June 30, 2013 was $19,952.

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS
(Continued)

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, 2013. Loan loss reserves exist for several of the programs. No loan amounts were written off during the year.

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 $75,000 at June 30, 2013.

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, 2013 $51,360 had been drawn down against this note.

The following is a summary of changes in long-term debt for the year ended June 30, 2013:

	Beginning	Additions	Deductions	Ending
VRA 1997 Note	$ 87,500	$ -	$12,500	$ 75,000
VRA 2011 Note	21,784	29,576	-	51,360
Total	$109,284	$29,576	$12,500	$126,360

Mandatory debt service requirements consist of the following:

Year ending June 30,	Total
2014	$ 25,000
2015	25,000
2016	25,000
2017	25,000
2018	13,860
Thereafter	12,500
Total	$126,360

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, 2013, was 49.99%, and is calculated as follows:

Indirect costs	$151,530	
Total direct salaries, leave, and fringe benefits	$303,066	= 49.99%

The following are included in indirect costs allocated to projects:

Salaries	$ 56,532
Rental	19,952
Fringe benefits	19,772
Consulting/contractual services	13,950
Printing and duplicating	8,742
Depreciation	7,254
Accounting	6,591
Utilities	4,790
Facility insurance	3,231
Telephone	2,913
Vehicle operating costs	1,785
Office supplies	1,452
Postage	1,239
Website/internet	1,199
Vehicle insurance	942
Professional development	750
Lodging and staff expenses	218
Dues/memberships	160
Subscriptions and publications	58
Total	$151,530

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, 2013, are shown below:

Leave	
Holiday	$23,475
Annual	21,336
Sick	9,043
Total	$53,854

The leave allocation rate for the fiscal year ended June 30, 2013, is calculated as follows:

Leave allocation	$ 53,854	
Total salaries excluding leave	$262,050	= 20.55%

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, 2013 was 34.91%, and is calculated as follows:

Fringe benefit expense	$110,275	
Total salaries	$315,904	= 34.91%

Components of fringe benefit expense for the year ended June 30, 2013, are shown below:

Fringe benefits	
Group health insurance	$ 41,670
Retirement and special pension	39,438
Social Security taxes	22,457
Group life insurance	3,643
Unemployment	2,908
Workers compensation insurance	159
Total Fringe Benefits	$110,275

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, 2013, 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 – Evaluation of Subsequent Events

The Commission has evaluated subsequent events through November 20, 2013, 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, 2013

	Local Programs	Rural Trans-portation Planning	Comprehensive Economic Development	Stormwater Management
Revenues				
Federal	$ -	$ 58,000	$ 34,396	$ 38,443
State	75,971	-	-	-
Local	109,899	-	-	-
Interest	2,845	-	-	-
In-kind	-	-	-	50,000
Other	7,255	-	-	-
Total Revenues	195,970	58,000	34,396	88,443
Expenses				
Salaries	36,610	35,506	32,775	28,001
Fringe benefits	12,806	12,419	11,463	9,794
Telephone	-	-	-	-
Office supplies	-	32	21	30
Meeting supplies	101	-	558	91
Private mileage	-	110	-	27
Lodging and staff expense	206	111	207	76
Travel	-	-	29	20
Dues and memberships	2,300	25	-	-
Subscriptions and publications	204	-	-	-
Workshops	34	194	-	195
Conferences	3,108	904	2,425	209
Accounting and audit	-	-	-	-
Legal services	-	-	-	-
Consultant and contractual	-	-	-	50,000
Construction	-	-	-	-
Postage	-	21	-	-
Promotion and advertising	-	-	-	-
Insurance	752	-	-	-
Miscellaneous	3,200	-	-	-
Deferred/forgiven loan expense	-	-	-	-
Quarterly meeting	3,621	-	-	-
Depreciation	-	-	-	-
Indirect expense	1,303	23,962	22,119	18,897
Total Expenses	64,245	73,284	69,597	107,340
Revenues Over (Under) Expenses	131,725	(15,284)	(35,201)	(18,897)
General Fund Support	(156,781)	15,284	35,201	18,897
Revenues and General Fund Support Over (Under) Expenses	$ (25,056)	$ -	$ -	$ -

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

SCHEDULE OF REVENUES AND EXPENSES BY PROGRAM
For the Year Ended June 30, 2013

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

SCHEDULE OF REVENUES AND EXPENSES BY PROGRAM
For the Year Ended June 30, 2013

	Costal TA	Living Shorelines	Aquaculture and Working Waterfronts	PAA Perrin River WW Plan
Revenues				
Federal	$ 32,201	$ 10,661	$ 32,147	$ 5,827
State	-	-	-	-
Local	-	-	-	-
Interest	-	-	-	-
In-kind	-	-	-	-
Other	-	-	275	-
Total Revenues	32,201	10,661	32,422	5,827
Expenses				
Salaries	31,465	10,532	15,081	3,172
Fringe benefits	10,790	3,683	5,275	1,110
Telephone	-	-	-	-
Office supplies	586	-	-	-
Meeting supplies	998	-	-	-
Private mileage	203	-	-	-
Lodging and staff expense	567	-	119	-
Travel	27	-	-	-
Dues and memberships	-	-	-	-
Subscriptions and publications	-	-	-	-
Workshops	50	-	-	-
Conferences	419	-	2,426	-
Accounting and audit	-	-	-	-
Legal services	-	-	-	-
Consultant and contractual	-	-	15,000	-
Construction	-	-	-	-
Postage	-	-	-	-
Promotion and advertising	-	-	-	-
Insurance	-	-	-	-
Miscellaneous	-	-	-	-
Deferred/forgiven loan expense	-	-	-	-
Quarterly meeting	-	-	-	-
Depreciation	-	-	-	-
Indirect expense	21,127	7,107	10,178	2,141
Total Expenses	66,232	21,322	48,079	6,423
Revenues Over (Under) Expenses	(34,031)	(10,661)	(15,657)	(596)
General Fund Support	34,031	10,661	15,657	596
Revenues and General Fund Support Over (Under) Expenses	$ -	$ -	$ -	$ -

VCWRFR Onsite Repair	Onsite Loan Management	WQIF	Local PAA Stewardship Public Safety	Energy Efficient CDBG	Heir Property	TDM	Land and Water Quality
$ -	$ -	$ -	$ -	$ -	$ 6,157	$ -	$ 67,196
17,896	-	59,890	-	-	-	59,200	-
-	-	-	-	-	-	-	-
-	75	-	-	7	-	-	-
-	-	-	-	-	-	150,000	-
-	3,174	-	1,700	853	-	-	1,948
17,896	3,249	59,890	1,700	860	6,157	209,200	69,144
-	1,407	3,319	-	353	644	21,075	26,717
-	492	1,161	-	124	225	7,371	9,344
-	-	-	-	-	-	243	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	24	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	575	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	444	-
-	140	-	-	140	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	5,000	150,000	17,000
17,896	-	57,773	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	30,594	-
-	-	-	-	-	-	-	-
-	181	-	-	-	-	-	-
-	55	-	-	5	-	-	-
-	-	-	-	-	-	-	-
-	-	-	1,700	-	-	-	-
-	950	2,240	-	238	434	14,223	18,031
17,896	3,249	64,493	1,700	860	6,303	224,525	71,092
-	-	(4,603)	-	-	(146)	(15,325)	(1,948)
-	-	4,603	-	-	146	15,325	1,948
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

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

	Comp Plan Update	Dragon Run Day	Dragon Run SAMP	Middle Peninsula Business Development Partnership	PAA Administration	Floating Structures	Total
	$ -	$ -	$ 3,170	$ -	$ -	$ 4,432	$ 292,630
	-	-	-	-	-	-	212,957
	10,341	-	-	-	-	-	120,240
	-	-	-	41	1	-	2,969
	-	-	-	-	-	-	200,000
	-	70	-	3,317	19,365	-	37,957
	10,341	70	3,170	3,358	19,366	4,432	866,753
	5,108	-	1,566	1,587	74	4,378	259,370
	1,786	-	547	555	26	1,531	90,502
	-	-	-	-	28	-	271
	-	-	-	-	624	-	1,293
	-	70	-	-	330	-	2,148
	-	-	-	-	83	-	423
	-	-	-	-	53	-	1,363
	-	-	-	-	-	-	76
	-	-	-	-	70	-	2,970
	-	-	-	-	15	-	219
	-	-	-	-	-	-	473
	-	-	-	-	1	-	9,936
	-	-	-	140	389	-	809
	-	-	-	-	10,619	-	10,619
	-	-	-	-	2,218	-	239,218
	-	-	-	-	-	-	75,669
	-	-	-	-	18	-	39
	-	-	-	-	19	-	30,613
	-	-	-	-	4,309	-	5,061
	-	-	-	-	440	-	3,821
	-	-	-	5	-	-	65
	-	-	-	-	-	-	3,621
	-	-	-	-	-	-	1,700
	3,447	-	1,057	1,071	50	2,955	151,530
	10,341	70	3,170	3,358	19,366	8,864	891,809
	-	-	-	-	-	(4,432)	(25,056)
	-	-	-	-	-	4,432	25,056
	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Middle Peninsula Planning District Commission
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

Operating Revenues	Actual	Budget	Favorable (Unfavorable)
Grants and appropriations			
Federal grants	$ 292,630	$ 329,437	$ (36,807)
State grants and appropriations	212,957	202,389	10,568
Local grants and appropriations	120,240	118,807	1,433
Miscellaneous	237,957	21,225	216,732
Total Operating Revenues	863,784	671,858	191,926
Operating Expenses			
Salaries	315,904	290,221	(25,683)
Consultant and contractual	255,270	72,929	(182,341)
Fringe benefits	110,275	126,809	16,534
Construction	73,567	57,769	(15,798)
Promotion and advertising	30,613	26,500	(4,113)
Rent and utilities	25,118	26,702	1,584
Legal and accounting	18,018	12,100	(5,918)
Workshops and conferences	11,155	9,200	(1,955)
Depreciation	8,954	5,600	(3,354)
Printing and duplicating	8,742	10,000	1,258
Insurance	8,292	5,312	(2,980)
Meeting supplies and expenses	5,769	10,300	4,531
Miscellaneous	4,473	-	(4,473)
Telephone	3,184	4,000	816
Dues and memberships	3,131	3,060	(71)
Office supplies	2,745	7,370	4,625
Vehicle costs	2,727	3,450	723
Lodging and staff expense	1,574	1,600	26
Postage	1,279	2,000	721
Travel	507	700	193
Subscriptions and publications	276	350	74
Deferred/forgiven loan expense	171	-	(171)
Bad debt	65	-	(65)
Total Operating Expenses	891,809	675,972	(215,837)
Operating Income (Loss)	(28,025)	(4,114)	(23,911)
Non-Operating Revenues			
Interest income	2,969	3,400	(431)
Change in Net Assets	(25,056)	(714)	(24,342)
Net Assets - Beginning of Year	678,785	608,351	70,434
Net Assets - End of Year	$ 653,729	$ 607,637	$ 46,092

See accompanying notes

Dunham, Aukamp & Rhodes, PLC
Certified Public Accountants

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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, 2013, 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 20, 2013.

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.

Dunham, Aukamp & Rhodes, PLC

Certified Public Accountants
Chantilly, Virginia

November 20, 2013