MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

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

John R. Clickener - Essex County

Margaret H. Davis - Essex County

John Magruder – Essex County

Ashley C. Chriscoe - Gloucester County

J. Brent Fedors – Gloucester County

William G. Reay - Gloucester County

Michael Winebarger - Gloucester County

Sherrin C. Alsop - King and Queen County

R. F. Bailey - King and Queen County

Thomas J. Swartzwelder - King and Queen County

David Hansen - King William County

Travis J. Moskalski - King William County

Eugene Rivara - King William County

Sanford Wanner - King William County

O. J. Cole, Jr. - Mathews County

Thornton Hill - Mathews County

Jack White - Mathews County

Trudy V. Feigum – Middlesex County

John D. Miller – Middlesex County

Roy M. Gladding - Town of Tappahannock

James Sydnor - Town of Tappahannock

Steve Hollberg - Town of Urbanna

Paul T. Kelley - Town of West Point

Dunham, Aukamp & Rhodes, PLC
Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

To the Commissioners
Middle Peninsula Planning District Commission
Saluda, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, and the aggregate remaining fund information of the Middle Peninsula Planning District Commission as of and for the year ended June 30, 2016, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the aggregate remaining fund information of the Middle Peninsula Planning District Commission as of June 30, 2016 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.

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Other Matters

Required Supplementary Information

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

Other Information

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

The schedule of revenues and expenditures by program on pages 31 - 32 is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues and expenditures by program is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2016, on our consideration of Middle Peninsula Planning District Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Middle Peninsula Planning District Commission's internal control over financial reporting and compliance.

Dunham, Aukamp & Rhodes, PLC

Certified Public Accountants
Chantilly, Virginia

November 16, 2016

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, 2016. Responsibility for the accuracy of the data as well as the completeness and fairness of this presentation (including all disclosures) rests with management. To the best of our knowledge and belief, the data contained herein is accurate in all material respects. This data is reported in a manner designed to fairly represent the Commission's financial position and the result of operations of its various funds. All disclosures necessary to enable the reader to gain an accurate understanding of the Commission's financial activities have been included. The Commission's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Overview of the Financial Statements

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

Required Financial Statements

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

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

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

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

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

Financial Analysis

Summary Statements of Net Position
June 30,

	2016	2015
Current Assets	$793,374	$ 778,858
Loans Receivable	179,675	224,391
Capital Assets (net)	7,931	4,949
Total Assets	980,980	1,008,198
Deferred Outflows of Resources	30,454	29,567
Current Liabilities	169,067	169,792
Long-Term Liabilities	156,917	397,048
Total Liabilities	325,984	566,840
Deferred Inflows of Resources	220,036	31,258
Invested in Capital Assets	7,931	4,949
Unrestricted	457,483	434,718
Total Net Position	$465,414	$ 439,667

Current assets increased during the year by approximately $14,500.

Loans receivable decreased approximately $45,000 during the year as a result of repayments on the various loans, net of new loans made. Several loan programs are not active as the programs that supported them are no longer funded and thus no new loans were processed for these programs during the year.

Current liabilities remained approximately the same during the year.

Long-term liabilities decreased by approximately $240,000 during the current year, as the Commission made scheduled principal payments on the VRA loans and there was a significant reduction in the pension liability of $225,000 as a result of differences in the expected and actual experience during the year.

Total net position increased by approximately $24,000 this year primarily due to the decrease in pension liabilities.

Summary Statements of Activities
For the Years Ended June 30,

	2016	2015
Revenues		
Operating revenues	$959,336	$752,395
Interest	2,489	2,242
Total Revenues	961,825	754,637
Expenses		
General and administration	58,895	62,640
Project costs	914,252	632,466
Total Expenses	973,147	695,086
GASB 68 pension benefit	37,069	-
Change in net position	25,747	59,551
Net position at beginning of year	439,667	380,116
Net position at end of year	$465,414	$439,667

Operating revenues increased by approximately $207,000 and project expenses increased by approximately $282,000 from the prior year. It is not uncommon for these figures to change substantially from year to year due to differences in the Commission's work program based on changes in the Commission's priorities and the availability of funding to implement the work program.

In FY 2016 actual revenues were under budget by approximately $22,000 as several projects were delayed. This has become increasingly more common as state funders continue to grapple with comprehension of the new federal uniform administrative requirements for federal awards (2CFR 200).

Actual expenses exceeded budgeted expenses for personnel costs by approximately $77,000 as a result of the Commission's performance compensation program whereby management is authorized to obtain additional funding to enable and enhance the Commission's work program and increase staff salaries proportionately as additional funding is obtained. The ability to allow for a fluctuation in personnel costs based on availability of funding allows for greater flexibility in applying for additional funding to advance the Commission's priorities without increased staffing.

There was little change in general Administration expenses as management continued to control administrative costs and utilize administrative staff on projects wherever feasible. Project costs increased by $282,000. It is not unusual for project costs to change substantially from year to year based on the number and type of projects funded.

Capital Assets

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

Long-Term Debt

Long-term debt consists of three 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 $37,500. 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 consisted of a $125,000 no interest loan and a $125,000 "principal forgiveness" loan. As of June 30, 2016, $125,000 had been drawn on this loan and an additional $125,000 on the "principal forgiveness loan". This loan has been reduced by regular annual payments to $87,500. During FY2016 the Commission received another loan in the amount of $250,000. As of June 30, 2016 only $3,815 had been drawn on this loan.

Economic Factors and Future Outlook

Presently, management of the Commission is aware of the changing federal, state, regional and local economic climate and is working to comprehensively understand, address and plan for the future security of the Commission consistent with the evolving new economic model. Management realizes the risk to the organization of the high dependency on grants to fund operations especially during periods of economic stress and continues to explore other options to fund its essential programs including increased local funding. Management continues to work 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 Uniform Guidance and the needs and resources of the member localities.

Contacting the Commission's Financial Management Staff

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

Middle Peninsula Planning District Commission
Statement of Net Position
June 30, 2016

ASSETS	
Current Assets	
Cash and cash equivalents	$ 637,825
Restricted cash	12,500
Accounts receivable	138,617
Prepaid expenses	4,432
Total Current Assets	793,374
Noncurrent Assets	
Capital assets, net	7,931
Loans receivable	179,675
Total Noncurrent Assets	187,606
Total Assets	980,980
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions after the measurement date	30,454
LIABILITIES	
Current Liabilities	
Accounts payable	2,232
Deferred revenue	89,333
Accrued leave payable	48,687
Current portion of notes payable	28,815
Total Current Liabilities	169,067
Noncurrent Liabilities	
Notes payable, net of current portion	100,000
Net pension liability	56,917
Total Liabilities	325,984
DEFERRED INFLOWS OF RESOURCES	
Net difference between projected and actual pension earnings	220,036
NET POSITION	
Invested in capital assets, net of related debt	187,606
Unrestricted	277,808
Total Net Position	$ 465,414

See accompanying notes

Middle Peninsula Planning District Commission
Statement of Revenue, Expenses, and Changes in Net Position
For the Year Ended June 30, 2016

Operating Revenues	
Grants and appropriations	
Federal grants	$ 650,661
State grants and appropriations	157,091
Local grants and appropriations	122,003
Miscellaneous	29,581
Total Operating Revenues	959,336
Operating Expenses	
Salaries	416,684
Consultant and contractual	174,819
Fringe benefits	131,474
Construction	81,335
Promotion and advertising	31,704
Rent and utilities	26,708
Legal and accounting	25,327
Bad debt	15,086
Office supplies	14,914
Workshops and conferences	14,436
Printing and duplicating	11,145
Miscellaneous	4,676
Depreciation	4,036
Lodging and staff expense	3,327
Insurance	3,246
Dues and memberships	3,185
Telephone	3,078
Meeting supplies and expenses	2,093
Postage	1,814
Website and internet	1,214
Vehicle costs	1,023
Subscriptions and publications	968
Deferred/forgiven loan expense	855
Total Operating Expenses	973,147
Operating Income	(13,811)
Non-Operating Revenues	
Interest income	2,489
GASB 68 pension benefit	37,069
Change in Net Position	25,747
Net Position - Beginning of Year	439,667
Net Position - End of Year	$ 465,414

See accompanying notes

Middle Peninsula Planning District Commission
Statement of Cash Flows
For the Year Ended June 30, 2016

Cash Flows from Operating Activities	
Received from customers	$ 1,049,215
Paid to suppliers for goods and services	(559,855)
Paid to employees for services	(419,012)
Net Cash Flows Provided by Operating Activities	70,348
Cash Flows from Capital and Related Financing Activities	
Proceeds from note payable	13,644
Principal paid on notes payable	(25,000)
Net Cash Flows Used in Capital and Related Financing Activities	(11,356)
Cash Flows from Investing Activities	
Disbursement for new loans made	(44,717)
Purchases of property and equipment	(7,017)
Loan payments received	89,432
Interest income	2,489
Net Cash Flows Provided by Investing Activities	40,187
Net Change in Cash and Cash Equivalents	99,179
Cash and Cash Equivalents - Beginning of Year	551,146
Cash and Cash Equivalents - End of Year	$ 650,325

Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	$ (13,811)
Depreciation	4,036
Changes in Assets and Liabilities	
Accounts receivable	89,095
Prepaid expesnes	(4,432)
Accounts payable	(2,072)
Deferred revenue	(140)
Accrued annual leave	(2,328)
Net Cash Flows from Operating Activities	$ 70,348

See accompanying notes

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Organization and Summary of Accounting Policies

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

The financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) (prior to the adoption of GASB 34) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of significant accounting policies followed in the preparation of these financial statements:

(a) Reporting Entity – The Commission's governing body is composed of members appointed by the nine member jurisdictions. The Commission is not a component unit of any of the member governments, and there are no component units to be included in the Commission's financial statements.

(b) Basis of Accounting – The accounting and reporting policies of the Commission relating to the accompanying basic financial conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB) and by the Financial Accounting Standards Board (when applicable).

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

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

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

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

(c) Project Expenditures – The costs of goods and services that are identifiable for indirect costs are allocated to projects as described in Note 9. Personnel costs for Commission employees, including overtime and compensatory time, are direct charges to the appropriate projects. Expenses for paid leave and fringe benefits are allocated to projects as described in Notes 10 and 11.

(d) Concentrations of Credit and Market Risk – Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions which, at times, may exceed federally insured limits. Credit exposure is limited to any one institution. The Commission has not experienced any losses on its cash equivalents.

(e) Cash and Cash Equivalents – Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less, excluding amounts whose use is limited by the Commission's Board designation or other arrangements under trust agreements with third-party payers.

(f) Accounts Receivable – Accounts receivable are reported at their gross value when earned as the underlying exchange transaction occurs. Receivables related to non-exchange transactions are recognized when their eligibility requirements have been met. Receivables are reduced by the estimated portion that is expected to be uncollectible. This estimate is made based on collection history and current information regarding the credit worthiness of the debtors. When continued collection activity results in receipts of amounts previously written off, revenue is recognized for the amount collected. Management considers all of the receivables collectible at June 30, 2016, and no allowance for doubtful accounts has been provided. Concentration of credit risk with respect to accounts receivable is limited due to the number of grantors, man of which are federal government grants.

(g) Employee Leave Benefits – Commission policy allows employees to accumulate unused vacation leave up to certain maximum hours. Commission employees earn from twelve to eighteen vacation days a year, depending on the length of their employment. Annual leave may be carried over from one fiscal year to the next, subject to certain limitations. The liability for accrued vacation is $32,748 as of June 30, 2016.

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 $15,939 as of June 30, 2016.

(h) Management Estimates – The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

(i) Capital Assets – Capital assets are recorded at historical or estimated historical cost if actual historical cost is not available for items exceeding $1,000. Depreciation is taken on the straight-line method over the estimated useful life of the respective asset.

The estimated lives are as follows:

Equipment	3-5 years
Furniture	7 years

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

(j) Budgets and Budgetary Accounting – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedule presents actual expenditures in accordance with the accounting principles generally accepted in the United States of America on a basis consistent with the adopted budgets as amended.

(k) Advertising Costs – Advertising costs are expensed as incurred.

(l) Deferred Outflows/Inflows of Resources – The Commission reports deferred outflows of resources on its statement of net position. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until the applicable period. The Commission only has one item that qualifies for reporting in this category. It is the employer pension contributions made after the actuarial measurement date. Employer contributions made after the measurement date of June 30, 2016 was $30,454.

The Commission reports deferred inflows of resources on its statement of net position. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until a future period. The Commission only has one item that qualifies for reporting in this category. The difference between the projected and actual pension earnings per the actuarial report dated of June 30, 2015, of $220,036 is reported as a deferred inflow of resources at June 30, 2016.

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

NOTE 2 – Cash and Investments

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

At June 30, 2016 the carrying amount of the Commission's deposits with banks was $560,424 and the bank balances were $587,791. 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 $89,901 at June 30, 2016.

NOTE 3 – Restricted Cash

The Virginia Resources Authority has required the Commission to provide a loan loss reserve of one year's worth of debt service on the 2010 Septic Repair Revolving Loan Fund note payable. A restricted cash account in the amount of $12,500 has been established.

NOTE 4 – Property and Equipment

A summary of property and equipment as of June 30, 2016 is as follows:

	Balance July 1, 2015	Additions	Disposals	Balance June 30, 2016
Equipment	$113,904	$ 7,018	$(36,532)	$ 84,390
Accumulated Depreciation	(108,955)	(4,036)	36,532	(76,459)
Net	$ 4,949	$ 2,982	$ -	$ 7,931

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 5 – Pension Plan

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

Plan Description

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

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

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (See " Eligible Members") • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 5 – Pension Plan (Continued)

Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013 **Hybrid Opt-In Election** VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	**Eligible Members** Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. **Hybrid Opt-In Election** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. *** Non-Eligible Members** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution; but all employees will be paying the full 5% by July 1, 2016.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is requited to match those voluntary contributions according to specified percentages.

NOTE 5 – Pension Plan (Continued)

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

NOTE 5 – Pension Plan (Continued)

		• After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four years or more, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **<u>Defined Benefit Component:</u>** See definition under Plan 1. **<u>Defined Contribution Component:</u>** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%.	**Service Retirement Multiplier** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.	**Service Retirement Multiplier** The retirement multiplier for the defined benefit component is 1.0%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.
Normal Retirement Age Age 65.	**Normal Retirement Age** Normal Social Security retirement age.	**Normal Retirement Age** **<u>Defined Benefit Component</u>**: Same as Plan 2. **<u>Defined Contribution Component:</u>** Members are eligible to receive distributions upon leaving employment, subject to restrictions.

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 5 – Pension Plan (Continued)

Earliest Unreduced Retirement Eligibility Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.	**Earliest Unreduced Retirement Eligibility** Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.	**Earliest Unreduced Retirement Eligibility** **<u>Defined Benefit Component:</u>** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equals 90. Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility Age 55 with at least five years (60 months) of creditable service or at age 50 with at least 10 years of creditable service.	**Earliest Reduced Retirement Eligibility** Age 60 with at least five years (60 months) of creditable service.	**Earliest Reduced Retirement Eligibility** **<u>Defined Benefit Component:</u>** Age members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. **<u>Eligibility:</u>** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July after one calendar year following the unreduced Retirement eligibility date. **<u>Exceptions to COLA Effective Dates:</u>** The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. **<u>Eligibility:</u>** Same as Plan 1. **<u>Exceptions to COLA Effective Dates:</u>** Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement** **<u>Defined Benefit Component:</u>** Same as Plan 2. **<u>Defined Contribution Component:</u>** Not applicable. **<u>Eligibility:</u>** Same as Plan 1 and Plan 2. **<u>Exceptions to COLA Effective Dates:</u>** Same as Plan 1 and Plan 2.

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 5 – Pension Plan (Continued)

• The member retires directly from short-term to long-term disability under the Virginia Sickness and Disability Program (VSDP) • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.		
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**Disability Coverage** Eligible political subdivision and school division (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **<u>Defined Benefit Component:</u>** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • The cost of purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-time period, the rate for most categories of service will change to actuarial cost. **<u>Defined Contribution Component:</u>** Not applicable.

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 5 – Pension Plan (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

		Number
Inactive Members or Their Beneficiaries Currently Receiving Benefits		1
Inactive Members		
Vested inactive members	2	
Non-vested inactive members	0	
Inactive members active elsewhere in VRS	0	
Total Inactive Members		2
Active Members		6
Total covered employees		9

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Commission's contractually required contribution rate for the year ended June 30, 2016 was 15.48% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the pension plan from the Commission were $30,454 and $29,567 for the years ended June 30, 2016 and June 30, 2015, respectively.

NOTE 5 – Pension Plans (Continued)

Net Pension Liability

The Commission's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Commission's Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Inflation	2.5%
Salary increases, including Inflation	3.5% – 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long- term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

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

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

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

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

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 5 – Pension Plans (Continued)

All Others (Non 10 Largest) – Non-LEOS: Pre-Retirement:
RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

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

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the Long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 5 – Pension Plans (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 5 – Pension Plans (Continued)

Change in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at June 30, 2014	$802,039	$520,162	$281,877
Changes for the year:			
Service cost	35,411	-	35,411
Interest	56,054	-	56,054
Changes of assumptions	-	-	-
Differences between expected and actual experience	(247,777)	-	(247,777)
Contributions – employer	-	29,567	(29,567)
Contributions – employee	-	14,079	(14,079)
Net investment income	-	25,306	(25,306)
Benefit payments, including refunds of employee contributions	(2,534)	(2,534)	-
Administrative expense	-	(299)	299
Other changes	-	(5)	5
Net changes	(158,846)	66,114	(224,960)
Balances at June 30, 2015	$643,193	$586,276	$ 56,917

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

The following presents the net pension liability of the Commission using the discount rate of 7%, as well as what the Commission's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6%) or one percentage point higher (8%) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Commission's Net Pension Liability	$163,875	$56,917	$(31,048)

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

For the year ended June 30, 2016, the Commission recognized pension benefit of $6,615. At June 30, 2016, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 5 – Pension Plans (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$206,618
Change in assumptions	-	-
Net difference between projected and actual earnings on plan investments	-	13,418
Employer contributions subsequent to the Measurement Date	30,454	-
Total	$30,454	$220,036

$220,036 reported as deferred inflows of resources related to pensions resulting from Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	
2017	$(46,466)
2018	(46,466)
2019	(46,468)
2020	(38,654)
2021	(41,159)
Thereafter	(823)

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 this lease was $21,600 for the year ended June 30, 2016.

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, 2016. Loan loss reserves exist for several of the programs. During the year ended June 30, 2016 a total of $15,086, representing seven nonperforming loans, were written off.

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 $37,500 at June 30, 2016.

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, 2016 $112,500 had been drawn down against this note. The balance of this loan was $87,500 at June 30, 2016.

On December 16, 2014 the Commission entered into a financing agreement with the Virginia Water Facilities Revolving Fund to receive a $200,000 loan to finance project costs of small water facility projects. The loan is non-interest bearing, and calls for semi-annual repayments of $10,000 commencing in FY17. As of June 30, 2016 $3,815 had been drawn down against this note.

The following is a summary of changes in long-term debt for the year ended June 30, 2016:

	Beginning	Additions	Deductions	Ending
VRA 1997 Note	$ 50,000	$ -	$12,500	$ 37,500
VRA 2011 Note	90,171	9,829	12,500	87,500
VRA 2015 Note	-	3,815	-	3,815
Total	$140,171	$13,644	$25,000	$128,815

Mandatory debt service requirements consist of the following:

Year ending June 30,	Total
2017	$ 25,000
2018	25,000
2019	25,000
2020	12,500
2021	12,500
Thereafter	28,815
Total	$128,815

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, 2016, was 49.29%, and is calculated as follows:

Indirect costs	$207,655	
Total direct salaries, leave, and fringe benefits	$421,290	= 49.29%

The following are included in indirect costs allocated to projects:

Salaries	$ 95,166
Fringe benefits	30,439
Rent	22,202
Printing and duplicating	11,145
Consulting/contractual services	9,740
Accounting	6,771
Office supplies	6,485
Utilities	4,506
Depreciation	4,036
Miscellaneous	3,579
Legal Services	3,306
Telephone	3,078
Public officials insurance	1,925
Postage	1,719
Website/internet	1,214
Vehicle insurance	1,168
Vehicle operating costs	1,023
Facility insurance	153
Total	$207,655

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, 2016, are shown below:

Leave	
Annual	$26,089
Holiday	21,520
Sick	11,997
Total	$59,606

The leave allocation rate for the fiscal year ended June 30, 2016, is calculated as follows:

Leave allocation	$ 59,606	
Total salaries excluding leave	$357,078	= 16.69%

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, 2016 was 31.55%, and is calculated as follows:

Fringe benefit expense	$131,474	
Total salaries	$416,684	= 31.55%

Components of fringe benefit expense for the year ended June 30, 2016, are shown below:

Fringe benefits	
Group health insurance	$ 50,199
Retirement and special pension	42,800
Social Security taxes	31,464
Group life insurance	3,451
Unemployment	3,136
Workers compensation insurance	424
Total Fringe Benefits	$131,474

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS
(Concluded)

NOTE 12 – Commitments

The Commission participates in a number of programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Commission may be required to reimburse. As of June 30, 2016, 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 16, 2016, 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, 2016

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

SCHEDULE OF REVENUES AND EXPENSES BY PROGRAM
For the Year Ended June 30, 2016

	Local Programs	Rural Transportation Planning	TDM	Urbanna Foundation	Ditching
Revenues					
Federal	$ -	$ 58,000	$ -	$ -	$ 12,245
State	75,971	-	61,807	-	-
Local	109,899	-	-	-	-
Interest	1,849	-	-	-	-
Other	681	-	-	1,054	-
Total Revenues	188,400	58,000	61,807	1,054	12,245
Expenses					
Salaries	26,028	36,128	22,822	558	6,554
Fringe benefits	8,319	11,540	7,299	179	2,058
Office supplies	107	-	-	-	-
Meeting supplies	656	89	-	-	-
Private mileage	44	111	213	-	-
Lodging and staff expense	665	-	31	-	-
Travel	16	-	-	-	-
Dues and memberships	-	-	575	-	-
Subscriptions and publications	-	-	-	-	-
Workshops	-	42	-	-	-
Conferences	4,928	1,725	1,480	-	-
Accounting and audit	-	-	-	-	-
Legal services	-	-	-	-	-
Consultant and contractual	-	-	-	-	-
Construction	-	-	-	-	-
Postage	-	-	-	-	-
Promotion and advertising	-	-	29,864	-	-
Miscellaneous	250	-	-	-	-
Deferred/forgiven loan expense	-	-	-	-	-
Quarterly meeting	953	-	-	-	-
Bad debt expense	-	-	-	-	-
Indirect expense	16,929	23,495	14,847	363	4,245
Total Expenses	58,895	73,130	77,131	1,100	12,857
Revenues Over (Under) Expenses	129,505	(15,130)	(15,324)	(46)	(612)
General Fund Support	(140,827)	15,130	15,324	46	612
Revenues and General Fund Support Over (Under) Expenses	$ (11,322)	$ -	$ -	$ -	$ -

VCWRFR Onsite Repair	Loan Management	Building Collaborative Communities	PAA Altruistic Giving	Energy Efficient CBG	Septic Pump out	Working Waterfronts	Economic Development
$ -	$ -	$ -	$ 19,176	$ -	$ 10,329	$ 22,592	$ -
9,829	-	8,134	-	-	-	-	-
-	-	-	-	-	-	-	2,356
-	513	-	-	127	-	-	-
(6,269)	13,874	-	-	471	-	-	-
3,560	14,387	8,134	19,176	598	10,329	22,592	2,356
-	3,923	7,153	6,879	236	2,004	8,332	1,778
-	1,255	2,285	2,200	75	641	1,728	217
-	-	-	-	-	-	-	-
-	-	245	-	-	-	-	-
-	45	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	21	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	115	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	403	-	-	176	-	-	-
3,650	-	-	-	-	-	-	-
(90)	(410)	-	6,200	-	6,380	7,000	-
-	-	-	-	-	-	-	-
-	41	-	-	-	-	-	-
-	999	-	-	-	-	250	-
-	41	-	-	-	-	-	-
-	5,544	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	10,396
-	2,552	4,658	4,475	153	1,304	5,146	361
3,560	14,393	14,341	19,754	640	10,329	22,592	12,752
-	(6)	(6,207)	(578)	(42)	-	-	(10,396)
-	6	6,207	578	42	-	-	10,396
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

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, 2016

	Costal TA	Living Shorelines	RC&D Administration	Regional Emergency Planning	Working Waterfronts Plan
Revenues					
Federal	$ 37,401	$ 150,359	$ -	$ 119,825	$ 21,062
State	-	-	-	-	-
Local	-	-	-	-	-
Interest	-	-	-	-	-
Other	-	-	12,800	-	-
Total Revenues	37,401	150,359	12,800	119,825	21,062
Expenses					
Salaries	30,473	15,093	782	59,995	6,387
Fringe benefits	9,747	4,828	250	19,189	1,984
Office supplies	-	-	-	-	-
Meeting supplies	76	-	-	-	-
Private mileage	69	-	235	456	-
Lodging and staff expense	287	-	4	393	30
Travel	292	-	-	13	-
Dues and memberships	-	-	-	150	-
Subscriptions and publications	-	-	-	-	-
Workshops	-	-	-	-	-
Conferences	2,181	-	-	2,319	800
Accounting and audit	-	-	-	-	-
Legal services	-	-	11,020	-	-
Consultant and contractual	900	54,090	-	-	8,409
Construction	-	81,235	-	-	100
Postage	-	-	-	-	-
Promotion and advertising	-	20	-	-	-
Miscellaneous	250	-	-	-	-
Deferred/forgiven loan expense	-	-	-	-	-
Quarterly meeting	-	-	-	-	-
Bad debt expense	-	-	-	-	-
Indirect expense	19,824	9,819	509	39,029	3,939
Total Expenses	64,099	165,085	12,800	121,544	21,649
Revenues Over (Under) Expenses	(26,698)	(14,726)	-	(1,719)	(587)
General Fund Support	26,698	14,726	-	1,719	587
Revenues and General Fund Support Over (Under) Expenses	$ -	$ -	$ -	$ -	$ -

Plan Updates	MPRJ Flash Freeze Study	Mattews SLR Adaption/ Ditch Map Data	PAA Administration	PAA Master Plan	PAA Capt Sinclair Improvements	Total
$ 37,406	74,714	$ 35,361	$ -	$ 27,517	$ 24,674	$ 650,661
-	-	-	-	-	1,350	157,091
4,748	-	-	-	5,000	-	122,003
-	-	-	-	-	-	2,489
-	-	-	6,970	-	-	29,581
42,154	74,714	35,361	6,970	32,517	26,024	961,825
20,648	2,409	28,857	3,523	26,760	4,195	321,517
6,443	749	9,221	1,124	8,360	1,342	101,033
-	-	71	-	52	12,012	12,242
62	-	67	-	-	-	1,195
55	-	41	-	-	67	1,336
-	-	-	32	-	4	1,446
38	-	-	-	-	-	380
-	-	-	-	-	-	725
-	-	-	-	-	-	115
-	-	-	-	-	-	42
931	-	-	-	-	-	14,364
-	-	-	-	-	-	579
-	-	-	-	-	-	14,670
-	70,000	2,900	-	2,500	7,200	165,079
-	-	-	-	-	-	81,335
54	-	-	-	-	-	95
570	-	-	-	-	-	31,703
-	-	-	-	52	150	743
-	-	-	-	-	-	5,544
-	-	-	-	-	-	953
-	-	-	-	-	-	10,396
13,353	1,556	18,769	2,291	17,309	2,729	207,655
42,154	74,714	59,926	6,970	55,033	27,699	973,147
-	-	(24,565)	-	(22,516)	(1,675)	(11,322)
-	-	24,565	-	22,516	1,675	-
$ -	$ -	$ -	$ -	$ -	$ -	$ (11,322)

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, 2016

	Actual	Budget	Favorable (Unfavorable)
Operating Revenues			
Grants and appropriations			
Federal grants	$ 650,661	$ 712,936	$ (62,275)
State grants and appropriations	157,091	135,171	21,920
Local grants and appropriations	122,003	113,024	8,979
Miscellaneous	29,581	21,500	8,081
Total Operating Revenues	959,336	982,631	(23,295)
Operating Expenses			
Salaries	416,684	339,206	(77,478)
Consultant and contractual	174,819	140,975	(33,844)
Fringe benefits	131,474	118,324	(13,150)
Construction	81,335	129,418	48,083
Promotion and advertising	31,704	29,500	(2,204)
Rent and utilities	26,708	27,802	1,094
Legal and accounting	25,327	9,250	(16,077)
Bad debt	15,941	-	(15,941)
Office supplies	14,914	2,800	(12,114)
Workshops and conferences	14,436	11,000	(3,436)
Printing and duplicating	11,145	8,500	(2,645)
Miscellaneous	4,676	3,200	(1,476)
Depreciation	4,036	5,300	1,264
Lodging and staff expense	3,327	2,350	(977)
Insurance	3,246	3,246	-
Dues and memberships	3,185	3,800	615
Telephone	3,078	2,850	(228)
Meeting supplies and expenses	2,093	4,000	1,907
Postage	1,814	1,800	(14)
Website and internet	1,214	1,200	(14)
Vehicle costs	1,023	3,300	2,277
Subscriptions and publications	968	150	(818)
Total Operating Expenses	973,147	847,971	(125,176)
Operating Income	(13,811)	134,660	(148,471)
Non-Operating Revenues			
Interest income	2,489	3,250	(761)
GASB 68 pension benefit	37,069	-	37,069
Change in Net Position	25,747	137,910	(112,163)
Net Position - Beginning of Year	439,667	439,667	-
Net Position - End of Year	$ 465,414	$ 577,577	$ (112,163)

See accompanying notes

Dunham, Aukamp & Rhodes, PLC
Certified Public Accountants

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

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

To the Commissioners
Middle Peninsula Planning District Commission:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities, and the aggregate remaining fund information of Middle Peninsula Planning District Commission as of and for the year ended June 30, 2016, 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 16, 2016.

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.

Metro: (703) 631-8940 FAX: (703) 631-8939 Toll Free 1-877-631-8940

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 16, 2016

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

	2016	2015
Total Pension Liability		
Service Cost	$ 35,411	$ 33,666
Interest on total pension liability	56,054	51,210
Differences between expected and actual experience	(247,777)	-
Benefit payments, including refunds of employee contributions	(2,534)	(28,811)
Net change in total pension liability	(158,846)	56,065
Total pension liability - beginning	802,039	745,974
Total pension liability - ending (a)	$ 643,193	$ 802,039
Plan fiduciary net position		
Contributions - employer	$ 29,567	$ 41,066
Contributions - employee	14,079	15,942
Net investment income	25,306	69,634
Benefits payments	(2,534)	(28,811)
Administrative expense	(299)	(348)
Other	(5)	4
Net change in plan fiduciary net position	66,114	97,487
Plan fiduciary net position - beginning	520,162	422,675
Plan fiduciary net position - ending (b)	$ 586,276	$ 520,162
Commission's Net pension liability - ending (a) - (b)	$ 56,917	$ 281,877
Plan fiduciary net position as a percentage of the total Pension liability	91.15%	64.85%
Covered - employee payroll	$ 290,037	$ 281,589
Commission's net pension liability as percentage of covered-employee payroll	19.62%	100.10%

* Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

Middle Peninsula Planning District Commission
Schedule of Employer Contributions
For the Year Ended June 30, 2016
Last 10 Fiscal Years*

	Contractually Required Contributions	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2016	$ 30,454	$ 30,454	$ -	$290,037	10.50%
2015	$ 29,567	$ 27,344	$ 2,223	$281,589	9.71%
2014	$ 41,968	$ 41,070	$ 898	$325,839	12.60%
2013	$ 42,064	$ 39,438	$ 2,626	$326,582	12.08%
2012	$ 29,612	$ 42,818	$ (13,206)	$263,220	16.27%
2011	$ 32,977	$ 58,815	$ (25,838)	$293,126	20.06%
2010	$ 49,084	$ 80,995	$ (31,911)	$436,300	18.56%
2009	$ 54,003	$ 80,792	$ (26,789)	$480,030	16.83%

* The Commission began participation in VRS in FY2009

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2016

NOTE 1 – Change of Benefit Terms

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

NOTE 2 – Changes of Assumptions

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

Largest 10 – Non-LEOS:

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

Largest 10 –LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) – LEOS:

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