MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

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

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

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MIDDLE PENINSULA PLANNING DISTRICT COMMISSION
BOARD OF COMMISSIONERS

Edwin E. Smith, Jr. - Essex County

Don Blanton - Essex County

John Magruder – Essex County

Michael Lombardo – Essex County

Ashley C. Chriscoe - Gloucester County

Dr. William G. Reay - Gloucester County

Michael Winebarger - Gloucester County

Brent Fedors - Gloucester County

Sherrin C. Alsop - King and Queen County

R. F. Bailey - King and Queen County

Thomas J. Swartzwelder - King and Queen County

Ed Moren - King William County

Travis J. Moskalski - King William County

Otto Williams - King William County

Melissa Mason - Mathews County

Tim Hill - Mathews County

Michael Rowe – Mathews County

Wayne Jessie – Middlesex County

Reggie Williams – Middlesex County

Gordon White – Middlesex County

Matt Walker – Middlesex County

Roy M. Gladding - Town of Tappahannock

Holly Gailey - Town of Urbanna

Diane Gravatt - Town of Urbanna

James Pruett - 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, 2020, and the related notes to the financial statements, which collectively comprise the Middle Peninsula Planning District Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Middle Peninsula Planning District Commission as of June 30, 2020, 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 the Middle Peninsula Planning District Commission's basic financial statements. The schedule of revenues and expenses by program on pages 31 – 32 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2021, 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

March 10, 2021

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, 2020. 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,

	2020	2019
Current Assets	$ 914,425	$ 916,726
Loans Receivable	201,689	240,113
Capital Assets (net)	2,574	1,746
Total Assets	1,118,688	1,158,585
Deferred Outflows of Resources	28,176	10,096
Current Liabilities	185,376	211,806
Long-Term Liabilities	293,037	240,560
Total Liabilities	478,413	452,366
Deferred Inflows of Resources	67,268	113,784
Invested in Capital Assets	2,574	1,746
Unrestricted	598,609	600,785
Total Net Position	$ 601,183	$ 602,531

Current assets decreased during the year by approximately $2,300 primarily due to an increase in accounts receivable of $80,000 as the Commission was delayed in collections on billings, and a decrease in cash of $82,300 as a result in that delay.

Loans receivable decreased approximately $38,000 during the year as a result of repayments on various revolving loan programs.

Deferred outflows of resources associated with the differences in projected and actual experience of the pension plan was increased by approximately $18,000 during the year.

Current liabilities decreased approximately $26,000 during the year primarily as a result of a timing difference in payments on accounts payable.

Deferred inflows of resources associated with the differences in projected and actual experience of the pension plan and differences between projected and actual earnings of the plan assets was reduced by $46,500 during the year.

Long-term liabilities increased by approximately $52,500 during the current year, as the Commission continued its septic repair and living shoreline loan programs financed through the Virginia Resources Authority. VRA loans have a delayed payback period of 2-3 years.

Total net position decreased by approximately $1,350 this year.

Summary Statements of Activities
For the Years Ended June 30,

	2020	2019
Revenues		
Operating revenues	$865,737	$882,787
Interest	10,351	15,538
Total Revenues	876,088	898,325
Expenses		
General and administration	109,085	119,890
Project costs	811,739	782,940
Total Expenses	920,824	902,830
GASB 68 pension benefit	43,388	54,783
Change in net position	(1,348)	50,278
Net position at beginning of year	602,531	552,253
Net position at end of year	$601,183	$602,531

Operating revenues decreased by approximately $17,000 and project expenses increased by approximately $29,000 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 2020 actual operating revenues were under the budgeted amount by approximately $317,000 as several projects were delayed due to forces beyond the Commission's control such as staffing changes and delays by project partners. Project costs for contractual costs were under budget by $182,000 for the same reasons.

Actual expenses exceeded budgeted expenses for personnel costs by approximately $26,000 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.

Fringe benefits were $4,000 lower than budgeted due to loss of staff.

Actual promotion and advertising costs were lower than budget by $28,000 as a result of a budget cut from the DRPT TDM Operating project.

Website and internet costs were $17,000 lower than budgeted because we did not require as much anticipated IT support as in previous year(s). Also, we have an agreement with our IT person that if she does not invoice in time that we are not required to pay more than our monthly retainer.

Capital Assets

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

Long-Term Debt

Long-term debt consists of three loans from the Virginia Water Facilities Revolving Fund. In 2011 the Commission received a $250,000 loan from the Virginia Water Facilities Revolving Fund to increase the revolving loan fund for wastewater loans. This loan consisted of a $125,000 no interest loan and a $125,000 "principal forgiveness" loan. As of June 30, 2020, $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 $37,500. During FY2016 the Commission received another loan in the amount of $250,000 loan from the Virginia Water Facilities Revolving Fund to increase the revolving loan fund for wastewater loans. As of June 30, 2020, $236,774 had been drawn on this loan but through regular annual payments has been reduced to $117,293. A third loan in the amount of a $250,000 loan from the Virginia Water Facilities Revolving Fund to capitalize the new revolving loan fund for living shoreline projects was settled in FY2018. As of June 30, 2020, $182,867 has been drawn down on this loan but through regular annual payments has been reduced to $157,867.

Economic Factors and Future Outlook

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

Contacting the Commission's Financial Management Staff

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

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2020

ASSETS	
Current Assets	
Cash and cash equivalents	$ 557,334
Restricted cash	29,167
Accounts receivable	327,924
Total Current Assets	914,425
Noncurrent Assets	
Capital assets, net	2,574
Loans receivable	201,689
Total Noncurrent Assets	204,263
Total Assets	1,118,688
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions after the measurement date	11,216
Changes of assumptions	16,208
Differences between expected and actual experience	752
Total Deferred Outflows of Resources	28,176
LIABILITIES	
Current Liabilities	
Accounts payable	24,610
Deferred revenue	64,391
Accrued leave payable	47,208
Current portion of notes payable	49,167
Total Current Liabilities	185,376
Noncurrent Liabilities	
Notes payable, net of current portion	263,493
Net pension liability	29,544
Total Liabilities	478,413
DEFERRED INFLOWS OF RESOURCES	
Differences between expected and actual experience	57,329
Changes of assumptions	2,182
Net difference between projected and actual earnings on plan investments	7,757
Total Deferred Inflows of Resources	67,268
NET POSITION	
Invested in capital assets, net of related debt	2,574
Unrestricted	598,609
Total Net Position	$ 601,183

See accompanying notes

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020

Operating Revenues	
Grants and appropriations	
Federal grants	$ 385,896
State grants and appropriations	207,592
Local grants and appropriations	267,015
Miscellaneous	5,234
Total Operating Revenues	865,737
Operating Expenses	
Salaries	386,458
Consultant and contractual	246,914
Fringe benefits	105,322
Construction	73,084
Rent and utilities	32,395
Promotion and advertising	13,023
Legal and accounting	11,583
Printing and duplicating	9,136
Office supplies	7,867
Lodging and staff expense	7,015
Workshops and conferences	5,184
Dues and memberships	4,535
Insurance	4,120
Telephone	3,002
Depreciation	2,555
Miscellaneous	2,415
Subscriptions and publications	1,881
Vehicle costs	1,361
Website and internet	1,318
Meeting supplies and expenses	1,001
Postage	635
Bad debt	20
Total Operating Expenses	920,824
Operating Income (Loss)	(55,087)
Non-Operating Revenues	
Interest income	10,351
GASB 68 pension benefit	43,388
Change in Net Position	(1,348)
Net Position - Beginning of Year	602,531
Net Position - End of Year	$ 601,183

See accompanying notes

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION
STATEMENT OF CAH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

Cash Flows from Operating Activities	
Received from customers	$ 785,219
Paid to suppliers for goods and services	(553,264)
Paid to employees for services	(385,005)
Net Cash Flows Used in Operating Activities	(153,050)
Cash Flows from Capital and Related Financing Activities	
Proceeds from notes payable	80,436
Principal paid on notes payable	(55,417)
Net Cash Flows Provided by Capital and Related Financing Activities	25,019
Cash Flows from Investing Activities	
Disbursement for new loans made	(2,505)
Loan payments received	37,546
Interest income	10,351
Net Cash Flows Provided by Investing Activities	45,392
Net Change in Cash and Cash Equivalents	(82,639)
Cash and Cash Equivalents - Beginning of Year	669,140
Cash and Cash Equivalents - End of Year	$ 586,501

Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income (loss)	$ (55,087)
Depreciation	2,555
Changes in Assets and Liabilities	
Accounts receivable	(80,338)
Accounts payable	(28,202)
Deferred revenue	319
Accrued annual leave	1,453
Net Cash Flows from Operating Activities	$ (159,300)

See accompanying notes

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Organization and Summary of Accounting Policies

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

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

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

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

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

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

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

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 10. 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, 2020, 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 $38,838 as of June 30, 2020.

All employees receive fifteen sick days a year. Sick leave may be carried over from one fiscal year to the next. Upon termination or retirement, employees with five or more years of continuous salaried service may receive up to 25% of their unused sick leave balances up to a maximum of $5,000. The liability for accrued sick leave is $8,370 as of June 30, 2020.

(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.

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 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.

(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, 2020 the carrying amount of the Commission's deposits with banks was $207,223 and the bank balances were $254,528. 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 $379,278 at June 30, 2020.

NOTE 3 – Restricted Cash

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

NOTE 4 – Property and Equipment

A summary of property and equipment as of June 30, 2020 is as follows:

	Balance July 1, 2019	Additions	Disposals	Balance June 30, 2020
Equipment	$ 58,194	$ 3,383	$(11,393)	$ 50,184
Accumulated Depreciation	(56,448)	(2,555)	11,393	(47,610)
Net	$ 1,746	$ 828	$ -	$ 2,574

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 Commission's Retirement Plan and the additions to/deductions from the Commission's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

All full-time, salaried permanent employees of the 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, service credit and average final compensation at retirement using a formula.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

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, and they have not taken a refund. **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. 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** Same as Plan 1.	**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)

Service credit Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Service credit** Same as Plan 1.	**Service credit** **Defined Benefit Component:** Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **Defined Contributions Component:** Under the defined contribution component, service credit 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 service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. 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 service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Plan remain vested in the defined benefit component. **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)

		Vesting (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 or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required, except as governed by law.
Calculating the Benefit The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **Defined Benefit Component:** See definition under Plan 1. **Defined Contribution Component:** 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 VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. **Sheriffs and regional jail superintendents:** The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.	**Service Retirement Multiplier VRS:** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013. **Sheriffs and regional jail superintendents:** Same as Plan 1.	**Service Retirement Multiplier** **Defined Benefit Component:** **VRS:** The retirement multiplier for the defined benefit component is 1.00%. 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. **Sheriffs and regional jail superintendents:** Not applicable

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 5 – Pension Plan (Continued)

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

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%.	**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%.	**Cost-of-Living Adjustment (COLA) in Retirement** **Defined Benefit Component:** Same as Plan 2. **Defined Contribution Component:** Not applicable.
Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	**Eligibility:** Same as Plan 1.	**Eligibility:** Same as Plan 1 and Plan 2.
Exceptions to COLA Effective Dates: 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. • 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.	**Exceptions to COLA Effective Dates:** Same as Plan 1.	**Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.

NOTE 5 – Pension Plan (Continued)

Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted.	**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.	**Disability Coverage** Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members. 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 service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component:** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. **Defined Contribution Component:** Not applicable.

Employees Covered by Benefit Terms

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

		Number
Inactive Members or Their Beneficiaries Currently Receiving Benefits		3
Inactive Members		
Vested inactive members	1	
Non-vested inactive members	2	
Inactive members active elsewhere in VRS	0	
Total Inactive Members		3
Active Members		3
Total covered employees		9

NOTE 5 – Pension Plans (Continued)

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The Commission's contractually required contribution rate for the year ended June 30, 2020 was 4.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Commission were $11,216 and $10,096 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For the Commission, the net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018 rolled forward to the measurement date of June 30, 2019.

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, 2018, 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, 2019.

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

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

NOTE 5 – Pension Plans (Continued)

Mortality rates:

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

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-Hazardous Duty:

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

NOTE 5 – Pension Plans (Continued)

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

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

Long-Term Expected Rate of Return

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

Long-Term Expected Rate of Return (Continued)		Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS-Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP-Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.63%

* The above allocation provides a one-year return 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

NOTE 5 – Pension Plans (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2019 on, participating employers are assumed to continue 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the Long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Change in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at June 30, 2018	$789,118	$780,781	$ 8,337
Changes for the year:			
Service cost	23,285	-	23,285
Interest	54,652	-	54,652
Changes of assumptions	26,733	-	26,733
Differences between expected and actual experience	(13,208)	-	(13,208)
Contributions – employer	-	8,734	(8,734)
Contributions – employee	-	9,332	(9,332)
Net investment income	-	52,729	(52,729)
Benefit payments, including refunds of employee contributions	(16,756)	(16,756)	-
Administrative expense	-	(507)	507
Other changes	-	(33)	33
Net changes	74,706	53,499	21,207
Balances at June 30, 2019	$863,824	$834,280	$ 29,544

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

The following presents the net pension liability of the Commission using the discount rate of 6.75%, as well as what the Commission's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 5 – Pension Plans (Continued)

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Commission's Net Pension Liability	$144,163	$29,544	$(62,646)

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

For the year ended June 30, 2020, the Commission recognized pension benefit of $43,388. At June 30, 2020, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Summary of Deferred Outflows of Resources and Inflows of Resources (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 752	$57,329
Changes of assumptions	16,208	2,182
Net difference between projected and actual earnings on plan investments	-	7,757
Employer contributions subsequent to the Measurement Date	11,216	-
Total	$28,176	$67,268

$11,216 reported as deferred outflows of resources related to pensions resulting from Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	
2021	$(45,218)
2022	(5,241)
2023	(238)
2024	389
2025	-
Thereafter	-

NOTE 5 – Pension Plans (Continued)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2019 *Comprehensive Annual Financial Report* (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at varetire.org/Pdf/Publications/2019-annual-report.pdf, or by writing to the System's Chief Financial Officer at PO Box 2500, Richmond, VA 23218-2500.

NOTE 6 – Notes Payable

On February 10, 2011 the Commission entered into a financing agreement with the Virginia Water Facilities Revolving Fund to receive a $125,000 loan to finance project costs of small water facility projects. The loan is non-interest bearing, and calls for semi-annual repayments of $6,250 commencing on August 1, 2013. The balance of this loan was $37,500 at June 30, 2020.

On December 16, 2014 the Commission entered into a financing agreement with the Virginia Water Facilities Revolving Fund to receive a $200,000 loan to finance project costs of small water facility projects. The loan is non-interest bearing, and calls for semi-annual repayments of $10,000 commencing on June 1, 2018. The balance of this loan was $117,293 at June 30, 2020.

On June 14, 2017 the Commission entered into a financing agreement with the Virginia Water Facilities Revolving Fund to receive a $250,000 loan to finance project costs of small water facility projects. The loan is non-interest bearing, and calls for semi-annual repayments of $8,333 commencing on June 1, 2019. The balance of this loan was $157,867 at June 30, 2020.

The following is a summary of changes in long-term debt for the year ended June 30, 2020:

	Beginning	Additions	Deductions	Ending
VRA 2011 Note	$ 50,000	$ -	$12,500	$ 37,500
VRA 2015 Note	56,856	80,437	20,000	117,293
VRA 2017 Note	174,534	-	16,667	157,867
Total	$281,390	$80,437	$49,167	$312,660

Mandatory debt service requirements consist of the following:

Year ending June 30,	Total
2021	$ 49,167
2022	49,167
2023	49,167
2024	36,667
2025	36,667
Thereafter	91,825
Total	$312,660

NOTE 7 – Lease Commitments

The Commission is obligated under a non-cancelable operating lease for office facilities. The 21-month facility lease commenced on October 1, 2018 and expired on June 30, 2020. The lease will continue on a month-to-month basis until either party gives notice to cancel. The lease calls for monthly payments in the amount of $1,801, with an increase rate of 3% beginning July 2019. Rent expense was $25,680 for the year ended June 30, 2020.

NOTE 8 – Loans Receivable

The Commission operates several loan programs to provide low or no interest loans for wastewater, small business and housing projects. The loans are carried at the net realizable value, and all amounts are believed collectible as of June 30, 2020. Loan loss reserves exist for several of the programs.

NOTE 9 – Commitments

The Commission participates in a number of programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Commission may be required to reimburse. As of June 30, 2020, the Commission believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Commission.

NOTE 10 – Leave Allocation

The leave allocation includes annual leave expense which is based on the amount of leave earned during the year. Other types of leave (i.e., holiday leave, administrative leave, etc.) are based on the amount of leave actually taken. Components for the leave allocation for the year ended June 30, 2020, are shown below:

Leave	
Holiday	$23,043
Annual	16,898
Sick	14,979
Total	$54,920

The leave allocation rate for the fiscal year ended June 30, 2020, is calculated as follows:

Leave allocation	$ 54,920	
Total salaries excluding leave	$329,597	= 16.66%

NOTE 11 – Indirect Costs

Indirect costs, which support all projects, are allocated based on the ratio of the individual project's direct salaries, leave, and fringe benefits to total direct salaries, leave, and fringe benefits (excluding temporary help). The indirect cost rate for the fiscal year ended June 30, 2020, was 25.63%, and is calculated as follows:

Indirect costs	$192,145
Total direct salaries, leave, and fringe benefits	$749,777 = 25.63%

The following are included in indirect costs allocated to projects:

Salaries	$ 74,587
Rent	26,280
Fringe benefits	20,971
Consulting/contractual services	20,383
Printing and duplicating	9,136
Accounting	7,010
Dues and subscriptions	5,790
Office supplies	4,800
Utilities	3,565
Depreciation	3,458
Public officials insurance	3,358
Telephone	3,002
Facility maintenance	2,550
Conference	1,987
Miscellaneous	1,237
Website/internet	1,284
Vehicle insurance	1,050
Postage	603
Travel	523
Vehicle operating costs	311
Facility insurance	260
Total	$192,145

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS
(Concluded)

NOTE 12 – Fringe Benefit Allocation

Fringe benefit expense is allocated using the percentage of benefits to total salaries. The fringe benefit rate for the fiscal year ended June 30, 2020 was 27.25%, and is calculated as follows:

Fringe benefit expense	$105,322
Total salaries	$386,458 = 27.25%

Components of fringe benefit expense for the year ended June 30, 2018, are shown below:

Fringe benefits	
Group health insurance	$ 54,753
Social security taxes	28,195
Retirement and special pension	17,711
Group life insurance	3,305
Long-term disability	955
Workers compensation insurance	360
Unemployment	43
Total	$105,322

NOTE 13 – Evaluation of Subsequent Events

The Commission has evaluated subsequent events through March 10, 2021, 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, 2020

	Local Programs	Rural Trans-portation Planning	TDM	TDM Marketing	MPBDP Support	WQIF
Revenues						
Federal	$ -	$ 57,271	$ -	$ -	$ -	$ -
State	75,971	-	7,610	65,531	-	58,480
Local	135,099	-	-	-	-	-
Other	53,916	-	-	-	489	-
Total Revenues	264,986	57,271	7,610	65,531	489	58,480
Expenses						
Salaries	36,386	25,766	2,072	15,808	203	554
Fringe benefits	10,024	7,245	583	4,444	57	156
Office supplies	13	-	-	-	-	-
Meeting supplies	566	-	-	16	-	-
Private mileage	1,261	-	-	-	-	-
Lodging and staff expense	3,885	-	-	-	-	-
Travel	1,021	-	-	-	-	-
Dues and memberships	51	-	-	575	-	-
Conferences	3,047	-	-	-	-	-
Accounting and audit	631	-	-	-	130	-
Legal services	1,281	-	-	-	-	-
Consultant and contractual	9,266	24,005	6,067	33,000	-	-
Construction	-	-	-	-	-	57,986
Postage	-	-	-	-	-	-
Promotion and advertising	-	-	-	13,024	-	-
Miscellaneous	954	-	-	-	-	-
Bad debt expense	-	-	-	-	-	-
Indirect expense	40,699	14,573	3,558	15,047	99	182
Total Expenses	109,085	71,589	12,280	81,914	489	58,878
Revenues Over (Under) Expenses	155,901	(14,318)	(4,670)	(16,383)	-	(398)
General Fund Support	(157,249)	14,318	4,670	16,383	-	398
Revenues and General Fund Support Over (Under) Expenses	$ (1,348)	$ -	$ -	$ -	$ -	$ -

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

SCHEDULE OF REVENUES AND EXPENSES BY PROGRAM
For the Year Ended June 30, 2020

Costal TA	Onsite Loan Management	Wetlands Conservation	CZM Dredging	CZM Extraction Fee Study	Septic Pump out	Fight the Flood	WWF Video	WIP III Update
$ 36,995	$ -	$ 18,806	$ 34,668	$ 6,791	$ 7,473	$ 28,173	$ 763	$ 13,938
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	4,078	-	-	-	-	-	-	-
36,995	4,078	18,806	34,668	6,791	7,473	28,173	763	13,938
41,193	2,361	2,488	1,113	5,148	1,978	14,708	710	889
11,534	664	700	279	1,242	556	4,122	165	212
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	35	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	50	-	-
40	-	-	-	-	-	150	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	208	-	-	-	-	-	-	-
-	-	-	-	-	-	1,799	-	-
6,000	-	-	29,199	-	4,740	25,000	-	10,500
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
2,057		15,097	-	-	-	-	-	-
-	15	-	-	-	-	-	-	-
16,314	830	815	5,263	1,633	1,890	11,723	224	3,860
77,138	4,078	19,100	35,854	8,023	9,164	57,587	1,099	15,461
(40,143)	-	(294)	(1,186)	(1,232)	(1,691)	(29,414)	(336)	(1,523)
40,143	-	294	1,186	1,232	1,691	29,414	336	1,523
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

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

	GA Lobby	DEQ Planner	Local Dredging TA	Living Shorelines	Regional Debris Management Plan	NFWF Landowners Living Shoreline Management
Revenues						
Federal	-	$ 41,607	$ -	$ 4,513	$ 11,872	$ 27,263
State	-	-	-	-	-	-
Local	10,000	-	76,051	-	-	-
Other	-	-	-	-	-	-
Total Revenues	10,000	41,607	76,051	4,513	11,872	27,263
Expenses						
Salaries	-	33,302	47,452	2,572	1,784	7,788
Fringe benefits	-	8,119	13,117	723	502	2,049
Office supplies	-	-	-	-	-	-
Meeting supplies	-	-	-	150	-	-
Private mileage	-	-	-	-	-	-
Lodging and staff expense	-	-	-	-	-	-
Travel	-	-	-	-	-	-
Dues and memberships	-	-	-	-	-	-
Conferences	-	-	-	-	-	-
Accounting and audit	-	-	-	149	-	-
Legal services	-	-	-	-	-	-
Consultant and contractual	10,000	-	-	-	6,205	11,876
Construction	-	-	-	-	-	-
Postage	-	-	-	-	-	-
Promotion and advertising	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Bad debt expense	-	-	-	-	-	-
Indirect expense	-	10,588	15,482	919	4,674	5,550
Total Expenses	10,000	52,009	76,051	4,513	13,165	27,263
Revenues Over (Under) Expenses	-	(10,402)	-	-	(1,293)	-
General Fund Support	-	10,402	-	-	1,293	-
Revenues and General Fund Support Over (Under) Expenses	-	$ -	$ -	$ -	$ -	$ -

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

SCHEDULE OF REVENUES AND EXPENSES BY PROGRAM
For the Year Ended June 30, 2020

MPEDRO Administration	Regional Emergency Planning	Re-Entry Plan	Ecotourism	Rural Enhancement Authoirty	PAA Administration	EECBG Administration	Urbanna Comp Plan	Total
$ -	$ 29,615	$ 33,003	$ 32,306	$ 839	$ -	$ -	$ -	$ 385,896
-	-	-	-	-	-	-	-	207,592
27,453	-	-	-	-	12,412	-	6,000	267,015
-	-	-	-	-	-	490	-	58,973
27,453	29,615	33,003	32,306	839	12,412	490	6,000	919,476
16,723	6,781	5,088	31,047	507	7,145	304	-	311,870
4,703	1,907	1,431	7,592	131	2,009	86	-	84,352
-	-	-	-	-	18	-	-	31
-	36	-	-	41	59	-	-	903
49		-	9	-	-	-	-	1,319
-	-	-	-	-	-	-	-	3,935
15	-	-	13	-	-	-	-	1,239
-	-	-	-	-	-	-	-	626
-	-	-	-	-	-	-	-	3,047
375	-	-	-	-	-	-	-	1,493
-	-	-	-	-	-	-	-	3,080
-	15,309	20,931	9,899	-	428	-	5,000	227,425
-	-	-	-	-	-	-	-	57,986
-	-	-	-	-	32	-	-	32
-	-	-	-	-	-	-	-	13,024
-	-	-	-	-	194	-	-	18,302
-	-	-	-	-	-	-	-	15
5,588	8,506	6,998	13,051	174	2,527	100	1,278	192,145
27,453	32,539	34,448	61,611	853	12,412	490	6,278	920,824
-	(2,924)	(1,445)	(29,305)	(14)	-	-	(278)	(1,348)
-	2,924	1,445	29,305	14	-	-	278	-
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (1,348)

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, 2020

	Actual	Budget	Favorable (Unfavorable)
Operating Revenues			
Grants and appropriations			
Federal grants	$ 385,896	$ 526,216	$ (140,320)
State grants and appropriations	207,592	441,863	(234,271)
Local grants and appropriations	267,015	196,591	70,424
Miscellaneous	5,234	17,500	(12,266)
Total Operating Revenues	865,737	1,182,170	(316,433)
Operating Expenses			
Salaries	386,458	360,660	(25,798)
Consultant and contractual	246,914	428,665	181,751
Fringe benefits	105,322	101,433	(3,889)
Construction	73,084	80,000	6,916
Rent and utilities	32,395	34,080	1,685
Promotion and advertising	13,023	41,096	28,073
Legal and accounting	11,583	10,900	(683)
Printing and duplicating	9,136	13,000	3,864
Office supplies	7,867	3,000	(4,867)
Lodging and staff expense	7,015	3,500	(3,515)
Workshops and conferences	5,184	8,500	3,316
Dues and memberships	4,535	4,460	(75)
Insurance	4,120	2,105	(2,015)
Telephone	3,002	2,800	(202)
Depreciation	2,555	-	(2,555)
Miscellaneous	2,415	100	(2,315)
Subscriptions and publications	1,881	250	(1,631)
Vehicle costs	1,361	1,525	164
Website and internet	1,318	18,331	17,013
Meeting supplies and expenses	1,001	1,400	399
Postage	635	1,200	565
Bad debt	20	-	(20)
Total Operating Expenses	920,824	1,117,005	196,181
Operating Income (Loss)	(55,087)	65,165	(120,252)
Non-Operating Revenues			
Interest income	10,351	10,000	351
GASB 68 pension benefit	43,388	-	43,388
Change in Net Position	(1,348)	75,165	(76,513)
Net Position - Beginning of Year	602,531	602,531	-
Net Position - End of Year	$ 601,183	$ 677,696	$ (76,513)

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, 2020, 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 March 10, 2021.

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.

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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

March 10, 2021

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION
SCHEDULE OF CHANGES IN THE COMMISSION'S NET PENSION LIABILITY AND RELATED RATIOS

	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service Cost	$ 23,285	$ 22,841	$ 33,694	$ 32,598	$ 35,411	$ 33,666
Interest	54,652	51,597	47,499	44,855	56,054	51,210
Differences between expected and actual experience	(13,208)	(14,068)	2,582	(27,899)	(247,777)	-
Changes of assumptions	26,733	-	(7,504)	-	-	-
Benefit payments, including refunds of employee contributions	(16,756)	(16,701)	(18,748)	(4,821)	(2,534)	(28,811)
Net change in total pension liability	74,706	43,669	57,523	44,733	(158,846)	56,065
Total pension liability - beginning	789,118	745,449	687,926	643,193	802,039	745,974
Total pension liability - ending (a)	$863,824	$ 789,118	$ 745,449	$ 687,926	$ 643,193	$ 802,039
Plan fiduciary net position						
Contributions - employer	$ 8,734	$ 11,043	$ 13,393	$ 30,454	$ 29,567	$ 41,066
Contributions - employee	9,332	10,076	12,257	14,502	14,079	15,942
Net investment income	52,729	53,890	78,809	11,707	25,306	69,634
Benefit payments, including refunds of employee contributions	(16,756)	(16,701)	(18,748)	(4,821)	(2,534)	(28,811)
Administrative expense	(507)	(452)	(440)	(340)	(299)	(348)
Other changes	(33)	(48)	(71)	(5)	(5)	4
Net change in plan fiduciary net position	53,499	57,808	85,200	51,497	66,114	97,487
Plan fiduciary net position - beginning	780,781	722,973	637,773	586,276	520,162	422,675
Plan fiduciary net position - ending (b)	$834,280	$ 780,781	$ 722,973	$ 637,773	$ 586,276	$ 520,162
Commission's Net Pension Liability - Ending (a) - (b)	$ 29,544	$ 8,337	$ 22,476	$ 50,153	$ 56,917	$ 281,877
Plan fiduciary net position as a percentage of the total pension liability	96.58%	98.94%	96.98%	92.71%	91.15%	64.85%
Covered payroll	$201,519	$ 201,515	$ 244,398	$ 290,036	$ 281,589	$ 325,839
Commission's net pension liability as percentage of covered payroll	14.66%	4.14%	9.20%	17.29%	20.21%	86.51%

See accompanying notes

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEARS ENDED JUNE 30, 2011 THROUGH 2020

	Contractually Required Contributions	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2020	$ 9,332	$ 11,216	$ (1,884)	$202,447	5.54%
2019	12,431	8,734	3,697	201,519	4.33%
2018	11,043	11,043	-	201,515	5.48%
2017	13,393	13,393	-	244,398	5.48%
2016	30,454	30,454	-	290,036	10.50%
2015	29,567	27,344	2,223	281,589	9.71%
2014	41,968	41,070	898	325,839	12.60%
2013	42,064	39,438	2,626	326,582	12.08%
2012	29,612	42,818	(13,206)	263,220	16.27%
2011	32,977	58,815	(25,838)	293,126	20.06%

MIDDLE PENINSULA PLANNING DISTRICT COMMISSION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2020

NOTE 1 – Change of Benefit Terms

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

NOTE 2 – Changes of Assumptions

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 – Non-Hazardous Duty:

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

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

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