January 11, 2016

Memorandum #2016-03

TO: **HRPDC & HRTPO Commissioners**

BY: **Robert A. Crum, Jr. Executive Director**
Nancy K. Collins, CFO

RE: **FY 2015 Audited Financial Statement Changes**

The Hampton Roads Planning District Commission (HRPDC) and the Hampton Roads Transportation Planning Organization (HRTPO), collectively (Organizations), staff is pleased to present to the Organizations' Commissioners the final audit for Fiscal Year 2015 as completed by Dixon Hughes Goodman, LLP.

We are pleased to report that the auditor provided an unmodified opinion, stating that the financial statements present fairly, in all material respects, the financial position of the governmental activities of the Organizations as of June 30, 2015, and the results of its operations and its cash flows for the years then ended, are in conformity with accounting principles generally accepted in the United States of America.

For the first time, political subdivisions must record unfunded pension liabilities on their Statement of Net Position in their audited financial statements. This is a result of GASB 68 & 71, and affects all government entities, from political subdivisions to localities to state governments. The end result for the HRPDC is that over $1.5M in unfunded pension liabilities were required to be recorded in FY2015. This resulted in a reduction of our long-term net position.

The HRPDC has always paid into VRS the entire employer's share, despite the lower percentage offered by VRS during the past several years. This has actually resulted in our organization being funded at 89.77% in the VRS pension pool. This is substantially more than the state's 74.28%.

Please note that this long-term pension liability is estimated by a 30-year actuarial study, and does not have an immediate effect on our short-term net cash position. In actuality, our short-term net cash position actually increased at the end of FY 2015, showing an unrestricted fund balance of over $3.9M. This includes $1.4M to offset GASB 45 OPEB liabilities and $0.4M for earned leave liabilities, both of which are invested in the Local Government Investment Pool (LGIP). We look forward to discussing the Organizations' audit with you at the January HRPDC and HRTPO meetings.

Hampton Roads Planning District Commission

Financial Statements as of and for the Years Ended June 30, 2015 and 2014, and Independent Auditors' Report

Hampton Roads Planning District Commission

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DHG
DIXON HUGHES GOODMAN LLP

Independent Auditors' Report

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Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of ***Hampton Roads Planning District Commission,*** as of June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the ***Hampton Roads Planning District Commission's*** basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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 by 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of ***Hampton Roads Planning District Commission*** as of June 30, 2015 and 2014, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

DIXON HUGHES GOODMAN LLP

Other Matters

Change in Accounting Principle

As discussed in Notes 2 and 3 to the financial statements, the financial statements as of and the year ended June 30, 2014 were restated due to the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68, in 2015. Our opinion is not modified with respect to these changes.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 7 and schedule of changes in net pension liability and related ratios and schedule of contributions and related notes on pages 39 - 41 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 an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 financial statements or to the 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 expenditures of federal awards 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 30, 2015 on our consideration of ***Hampton Roads 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 the 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 ***Hampton Roads Planning District Commission's*** internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

Newport News, Virginia
November 30, 2015

The following Management's Discussion and Analysis (MD&A) of the Hampton Roads Planning District Commission's (Commission) activities and financial performance provides the reader with an introduction and overview to the financial statements of the Commission for the year ended June 30, 2015. The information contained in this MD&A should be considered in conjunction with the financial statements and various historic summaries of activities and financial performance included in the basic financial statements following.

In the fall of 2008, the Commission was reorganized to better reflect the efforts of the transportation staff in performing the planning, technical, and administrative duties of the regional Metropolitan Planning Organization in accordance with regulations as determined by the US Department of Transportation and the Virginia Department of Transportation. These duties were organized into a new and separate function entitled Hampton Roads Transportation Planning Organization (HRTPO). This new function has two memorandums of understanding between the HRTPO and the Commission. The first addresses the concept that the Commission "shall provide the planning and administrative staff to the HRTPO" and all duties thereof. The second addresses the concept that the HRTPO "desires that the Commission serve as fiscal agent for the HRTPO" and all duties thereof. In this capacity, the Financial Statements of the Hampton Roads Planning District Commission cover all the activities involved in administering the financial aspects of the Hampton Roads Transportation Planning Organization.

This report has two components - Management's Discussion and Analysis (this section) and the basic financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves. The basic financial statements include both government-wide and fund financial statements and the notes to the financial statements. Government-wide and fund financial statements categorize primary activities as either governmental or business-type. All of the Commission's operations are considered to be governmental because the sources of funding include contributions from members and federal and state grants.

The government-wide and fund financial statements are distinguished as follows:

- The first three statements are government-wide financial statements that provide both long-term and short-term information about the Commission's overall financial status.
- The remaining statements are governmental fund financial statements which are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Since a governmental funds focus is narrower than that of the government-wide financial statements a reconciliation between the two methods is provided.

As required, the following tables present the long-term financial condition and operations of the Commission for the three years ending June 30, 2015, 2014 and 2013. The *Statements of Net Position* include the current cash and long-term capital assets of the Commission. The *Statements of Revenues, Expenses and Changes in Net Position* contain all of the years' revenues and expenses. The *Statements of Changes in Net Position* further delineate the areas of fiduciary responsibility within the net position category.

Statements of Net Position

	2015	(As Restated) 2014	2013
Assets			
Current assets	$ 5,127,516	$ 4,585,256	$ 4,375,697
Capital assets – net of accumulated depreciation	1,347,737	1,278,598	1,394,016
Other assets - investments	675,000	650,870	700,362
	7,150,253	6,514,724	6,470,075
Deferred pension contributions	258,102	265,987	-
Total assets and deferred outflows of resources	$ 7,408,355	$ 6,780,711	$ 6,470,075
Liabilities			
Current liabilities	$ 1,171,516	$ 864,569	$ 1,232,618
Other liabilities:			
Accrued post-retirement benefit liability	1,391,066	1,107,025	860,974
Net pension liability	1,550,781	2,554,170	-
	4,113,363	4,525,764	2,093,592
Deferred pension investment experience	836,829	-	-
Total liabilities and deferred inflows of resources	4,950,192	4,525,764	2,093,592
Net position	2,458,163	2,254,947	4,376,483
	$ 7,408,355	$ 6,780,711	$ 6,470,075

Statements of Revenues, Expenses and Changes in Net Position

	2015	(As Restated) 2014	2013
Operating revenues			
Local	$ 4,414,546	$ 4,638,417	$ 4,491,242
State (including federal pass-through)	3,443,225	5,686,849	5,983,724
Total operating revenues	7,857,771	10,325,266	10,474,966
Operating expenses			
Personnel	4,129,955	4,349,820	4,606,494
Pass-through and special contract expenses	2,724,926	4,858,055	5,360,911
Transportation pass-through expenses	570,609	289,986	313,874
Office services	310,355	318,571	339,482
Total operating expenses	7,735,845	9,816,432	10,620,761
Operating income (loss) before depreciation	121,926	508,834	(145,795)
Depreciation	108,371	115,418	138,915
Operating income (loss)	13,555	393,416	(284,710)
Contributions, assessments and miscellaneous Non-operating revenues	189,661	39,218	40,870
Change in net position	$ 203,216	$ 432,634	$ (243,840)

Statements of Changes in Net Position

	2015	(As Restated) 2014	2013
Net position			
Invested in capital assets - net of related debt	$ 1,347,737	$ 1,278,598	$ 1,394,016
Unrestricted:			
Commission designated	1,146,838	812,887	804,122
Unrestricted for Commission activities	(36,412)	163,462	2,178,345
Total unrestricted	1,110,426	976,349	2,982,467
Net position	$ 2,458,163	$ 2,254,947	$ 4,376,483

Financial Highlights

Operating revenues were down $2,467,495 mainly due to lower expenditures (thus reimbursements) in the Transportation and Homeland Security programs (UASI & MMRS).

Operating expenses were down $2,080,587 as a result of reduced grant activity.

The $13,555 operating income was a result of less than anticipated personnel expenditures**.**

The $223,871 decrease in Local Operating Revenues shown on the first line of the statement of revenue, expenses and changes in net position is a result of a reduction in funding for the regional water and construction standards programs from the previous year.

The financial statements of the Hampton Roads Planning District Commission (Commission) for the year ended June 30, 2015, indicate a $134,077 increase in assets in the total unrestricted net position of the Commission (see the Statement of Changes in Net Position). This increase can be attributed to cost savings in anticipated personnel expenses due to vacancies throughout the year, which resulted in resources being available to fund board-designated reserves. A list of all Commission designated programs is available in Note 8: *Net Position*, on page 35 of this document.

While the total unrestricted net position increased by $134,077, the portion set aside for board-designated activities and reserves increased by $333,951, while the portion of the unrestricted reserve that is not commission designated decreased by $199,874, to $(36,412). This would appear to provide the Commission with no funding for unanticipated projects in future periods. (See the following Fund Balance report in this section for further details.)

Please note that the Commission is now required to report post retirement liabilities under GASB Statement No. 45: *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB). This Statement requires that the Commission recognize the cost of the retiree health subsidy during the period of employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability to accurately account for the total future cost of post-employment benefits and the financial impact on the Commission. An actuarial study was conducted in 2013 and again in 2015, and as a result, this liability has been established at amounts designated by the study. *Please see Note 9 for more details.*

The Commission implemented GASB Statement No. 63: *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* during fiscal year 2013, and Statement No. 65: *Items Previously Reported as Assets and Liabilities* in fiscal year 2013. In accordance with these statements, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, or Net Position.

The Commission implemented GASB Statement No. 68 (GASB 68): *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, and GASB Statement No. 71 (GASB 71): *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68* in fiscal year 2015. In accordance with these statements, the Commission retrospectively recognized the pension liability. *Please see Notes 2, 3 and 6 for more details.*

The effect of implementing these new Government Accounting Standards (GASB 68 and 71) was a dramatic reduction in long-term unrestricted fund balance monies available for unanticipated board-directed projects to be undertaken by either the HRPDC or the HRTPO. Recording this net liability of $2,288,183 and $2,129,508 for 2014 and 2015, respectively, as mandated by GASB 68, resulted in a negative unrestricted net position of $36,412 at June 30, 2015. This figure is an estimate and, as such, it may significantly overstate the Commission's true liability since its calculation relies on certain assumptions regarding future Commission employment that might not ultimately be realized and as such may be somewhat unrealistic. For example, the estimate calculation assumes that all employees currently employed by the Commission will continue their employment until reaching retirement. Historically, this has not been the case, thus the $2M+ liability is an estimate of what needs to be set aside for this future obligation.

Statements of Revenues, Expenses and Changes in Net Position

This statement details may significantly overstate the Commission's true liability since its calculation makes certain assumptions regarding future Commission employment that might not ultimately be realized. For example, the estimated calculation assumes the $203,216 net increase in total net position for 2015.

Statements of Changes in Net Position

This last statement details the various categories available within the Commission's net position. Most of this decrease is a result of expending revenues received in prior years and posted as Commission designated programs.

In order to implement GASB 68 and 71, as mandated by Government Accounting Standards, the Commission must record net pension liabilities. These liabilities are primarily long-term liabilities, based on a thirty-year actuarial study of the activity in the Virginia Retirement System. Therefore, actual records could differ substantially. It is important to note and recognize that the ultimate settlement of these liabilities will be paid primarily with future Commission resources.

This impact on current Commission resources is more accurately reflected in the Fund Balance report, as this report reflects the current resources and obligations of the Commission. This report is calculated on a Budgetary (Modified Accrual) Basis.

Balance Sheet – Governmental Funds (Fund Balance Report)

	2015	**2014**
	General Fund	
Assets		
Current Assets		
Cash and cash equivalents	$ 2,261,744	$ 2,019,083
Accounts receivable	1,299,426	1,547,564
Prepaid expenses	41,557	27,008
Investments	2,199,789	1,642,471
Total current assets	5,802,516	5,236,126

Liabilities & Fund Balances		
Current Liabilities		
Accounts payable and accrued expenses	414,063	361,691
Contracts payable	291,189	49,146
Other current liabilities	6,023	18,369
Total current liabilities	711,275	429,206
Fund Balances		
Unrestricted	3,944,403	3,994,033
Unrestricted – commission designated	1,146,838	812,887
Total fund balance	5,091,241	4,806,920
Total liabilities and fund balances	$ 5,802,516	$ 5,236,126

The Unrestricted-commission designated amount of $1,146,838 reflects both program revenues received but not yet expended, as well as several reserve accounts that were established to ensure funding would be available for future expenditures for capital improvements, equipment failures, etc. A list of these items can be found in Note 8 on page 35.

The Unrestricted amount of $3,944,403 reflects those funds that are available for commission activities not in the current budget. This amount, however, includes commission investments of $1,391,066 to offset the GASB 45 OPEB liability and $460,241 to cover leave liabilities. These are invested in Virginia's Local Government Investment Pool (LGIP).

Requests for Information:

This financial report is designed to provide our citizens with a general overview of the Commission's finances and to demonstrate the Commission's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to: Hampton Roads Planning District Commission, Chief Financial Officer, 723 Woodlake Drive, Chesapeake, Virginia 23320.

Hampton Roads Planning District Commission

Government-Wide Financial Statements

June 30, 2015

Hampton Roads Planning District Commission

Statements of Net Position

June 30,	2015	(As Restated) 2014
Assets		
Current assets		
Cash and cash equivalents	$2,261,744	$2,019,083
Accounts receivable	1,299,426	1,547,564
Other current assets:		
Prepaid expenses	41,557	27,008
Investments	1,524,789	991,601
Total current assets	5,127,516	4,585,256
Capital assets - net of accumulated depreciation	1,347,737	1,278,598
Other assets		
Investments	675,000	650,870
Total assets	7,150,253	6,514,724
Deferred Outflow of Resources		
Deferred pension contributions	258,102	265,987
	$7,408,355	$6,780,711
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	$ 414,063	$ 361,691
Compensated absences	460,241	435,363
Contracts payable	291,189	49,146
Other current liabilities	6,023	18,369
Total current liabilities	1,171,516	864,569
Other liabilities		
Accrued post-retirement benefit liability	1,391,066	1,107,025
Net pension liability	1,550,781	2,554,170
Total other liabilities	2,941,847	3,661,195
Total liabilities	4,113,363	4,525,764
Deferred Inflow of Resources		
Deferred pension investment experience	836,829	-
Net position		
Net position		
Invested in capital assets - net of related debt	1,347,737	1,278,598
Unrestricted:		
Unrestricted	(36,412)	163,462
Unrestricted - commission designated	1,146,838	812,887
Total unrestricted net position	1,110,426	976,349
Total net position	2,458,163	2,254,947
	$7,408,355	$6,780,711

The accompanying notes are an integral part of these financial statements.

Hampton Roads Planning District Commission

Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30,	**2015**	**(As Restated) 2014**
Operating revenues		
Local:		
Contract revenue	$ 2,716,582	$ 2,962,596
Contributions by participating jurisdictions	1,358,370	1,339,935
MMRS Local Assessment	339,594	335,886
	4,414,546	4,638,417
State (including federal pass-through):		
Virginia Department of Transportation	1,730,702	2,226,223
Virginia Department of Emergency Management - UASI	657,350	2,135,347
Virginia Department of Emergency Management - MMRS	471,853	621,184
Virginia Department of Environmental Quality	124,758	139,390
Virginia Department of Housing and Community Development State Allocation to the PDC	151,943	151,943
Virginia Department of Emergency Management - other	248,824	308,949
Virginia Department of Housing and Community Development Loan Funds	40,000	91,314
Williamsburg Area Transit	17,795	12,499
	3,443,225	5,686,849
Total operating revenues	7,857,771	10,325,266
Operating expenses		
Passthrough and special contract expenses	2,724,926	4,858,055
Personnel	4,129,955	4,349,820
Transportation passthrough expenses	570,609	289,986
Office services	310,355	318,571
Total operating expenses	7,735,845	9,816,432
Operating income before depreciation	121,926	508,834
Depreciation	108,371	115,418
Operating income	13,555	393,416
Nonoperating revenues (expenses)		
Interest income	12,773	15,088
Unrealized loss on investments	(2,637)	(9,322)
Contributions, assessments and miscellaneous non-operating revenues	179,525	33,452
Total nonoperating revenues	189,661	39,218
Change in net position	203,216	432,634
Net position - beginning of year	2,254,947	1,822,313
Net position - end of year	$ 2,458,163	$ 2,254,947

The accompanying notes are an integral part of these financial statements.

Hampton Roads Planning District Commission

Statements of Cash Flows

Years Ended June 30,	2015	(As Restated) 2014
Cash flows from operating activities		
Cash receipts from localities and grants	$ 8,105,909	$ 10,519,484
Cash payments to suppliers	(3,054,329)	(5,715,417)
Cash payments to employees	(4,263,752)	(4,508,775)
Net cash from operating activities	787,828	295,292
Cash flows from capital and related financing activities		
Contributions, assessments and miscellaneous non-operating revenues	179,525	33,452
Acquisition of capital assets	(177,510)	-
Net cash from capital and related financing activities	2,015	33,452
Cash flows from investing activities		
Interest received	12,773	15,088
Purchases of investments	(559,955)	(801,309)
Net cash from investing activities	(547,182)	(786,221)
Net change in cash and cash equivalents	242,661	(457,477)
Cash and cash equivalents - beginning of year	2,019,083	2,476,560
Cash and cash equivalents - end of year	$ 2,261,744	$ 2,019,083

Reconciliation of change in net position to cash from operations		
Operating income	$ 13,555	$ 393,416
Adjustments to reconcile to net cash from operating activities:		
Depreciation	108,371	115,418
Change in:		
Accounts receivable	248,138	194,218
Prepaid expenses	(14,549)	(19,775)
Accounts payable and accrued expenses	52,372	(196,084)
Compensated absences	24,878	(139,019)
Contracts payable	242,043	(39,795)
Other current liabilities	(12,346)	6,849
Net pension liability	284,041	246,051
Increase in net pension liability and related deferred inflows/outflows of resources	(158,675)	(265,987)
	$ 787,828	$ 295,292

The accompanying notes are an integral part of these financial statements.

Hampton Roads Planning District Commission

Governmental Fund Financial Statements
June 30, 2015

Hampton Roads Planning District Commission

Balance Sheets - Governmental Funds

June 30,	2015	2014
Assets		
Current assets		
Cash and cash equivalents	$ 2,261,744	$ 2,019,083
Accounts receivable	1,299,426	1,547,564
Prepaid expenses	41,557	27,008
Investments	2,199,789	1,642,471
	$ 5,802,516	$ 5,236,126
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	$ 414,063	$ 361,691
Contracts payable	291,189	49,146
Other current liabilities	6,023	18,369
Total current liabilities	711,275	429,206
Fund Balances		
Fund balances		
Unrestricted	3,944,403	3,994,033
Unrestricted - commission designated	1,146,838	812,887
Total fund balances	5,091,241	4,806,920
	$ 5,802,516	$ 5,236,126

The accompanying notes are an integral part of these financial statements.

Hampton Roads Planning District Commission

Reconciliation of Governmental Funds Balance Sheets to the Statements of Net Position

Year Ended June 30,	2015	2014
Total fund balances - governmental funds	$ 5,091,241	$ 4,806,920
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation.	1,347,737	1,278,598
Some assets and deferred outflows of resources reported in the Statement of Net Position do not provide current financial resources and therefore are not accrued as assets or deferred in the governmental funds.		
Deferred pension contributions	258,102	265,987
Some liabilities and deferred inflows of resources reported in the Statement of Net Position do not require the use of current financial resources and therefore are not accrued as liabilities or deferred in the governmental funds.		
Compensated absences	(460,241)	(435,363)
Accrued post-retirement benefit liability	(1,391,066)	(1,107,025)
Net pension liability	(1,550,781)	(2,554,170)
Deferred pension investment experience	(836,829)	-
	(4,238,917)	(4,096,558)
Net position of governmental activities	$ 2,458,163	$ 2,254,947

The accompanying notes are an integral part of these financial statements.

Statements of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

Year Ended June 30,	**2015**	**2014**
Revenues		
Local operating revenues	$ 4,414,546	$ 4,638,417
State operating revenues	3,443,225	5,686,849
Nonoperating revenues	189,661	39,218
Total revenues	8,047,432	10,364,484
Expenditures		
Current		
Passthrough and special contract expenses	2,724,926	4,858,055
Personnel	3,979,711	4,508,775
Transportation passthrough services	570,609	289,986
Office services	310,355	318,571
Capital projects	177,510	-
Total expenditures	7,763,111	9,975,387
Excess of revenues over expenditures	284,321	389,097
Fund balances - beginning of year	4,806,920	4,417,823
Fund balances - end of year	$ 5,091,241	$ 4,806,920

The accompanying notes are an integral part of these financial statements.

Hampton Roads Planning District Commission

Reconciliation of the Statements of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Statements of Activities

Year Ended June 30,	2015	2014
Net change in fund balances - total governmental funds	$ 284,321	$ 389,097
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents the difference between depreciation expense and capital outlay expenditures.	69,139	(115,418)
Some expenses and expense recoveries reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in compensated absences	(24,878)	139,019
Change in accrued post-retirement benefit liability	(284,041)	(246,051)
Change in pension and pension-related deferred amounts	158,675	265,987
	(150,244)	158,955
Change in net position of governmental activities	$ 203,216	$ 432,634

The accompanying notes are an integral part of these financial statements.

1. Organization and Nature of Business

Hampton Roads Planning District Commission (Commission) is a regional planning agency authorized by the Virginia Area Development Act of 1968 and created by the merger of the Southeastern Virginia Planning District Commission and the Peninsula Planning District Commission on July 1, 1990. The Commission performs various planning services for the town of Smithfield the cities of Chesapeake, Franklin, Hampton, Newport News, Norfolk, Portsmouth, Poquoson, Suffolk, Williamsburg and Virginia Beach, and the Counties of Gloucester, Isle of Wight, James City, Southampton, Surry and York. Revenues of the Commission are received primarily from local government (member) contributions and various state and federal grant programs.

In the fall of 2008, the Commission was reorganized to better reflect efforts of the transportation staff in performing the planning, technical, and administrative duties of the regional Metropolitan Planning Organization (MPO) in accordance with regulations as determined by the Federal Highway Administration and the Virginia Department of Transportation. These duties were organized into a new function entitled Hampton Roads Transportation Planning Organization (HRTPO). HRTPO has two Memorandums of Understanding with the Commission. The first addresses the concept that the Commission "shall provide the planning and administrative staff to HRTPO" and all duties thereof. The second addresses the concept that HRTPO "desires that the Commission serve as fiscal agent for HRTPO" and all duties thereof. In this capacity, the audited financial statements of the Commission cover all the activities involved in administering the financial aspects of HRTPO.

2. Summary of Significant Accounting Policies

Reporting Entity

The Commission's governing body is composed of various members appointed by each of the seventeen participating jurisdictions. These governmental entities have an ongoing financial responsibility to the Commission because its continued existence depends on the continued funding by the participants. The Commission is perpetual and no participating government has access to its resources or surpluses, nor is any participant liable for the Commission's debt or deficits.

The Commission is not a component unit of any of the participating governments. There are no component units to be included in the Commission's financial statements.

Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. All of the Commission's activities are considered to be governmental as they are principally supported by intergovernmental revenues. In the government-wide statements of net position, the governmental activities are reflected on a full accrual basis of accounting and economic resources measurement focus, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The fund financial statements are presented on a current financial resources measurement focus and modified accrual basis of accounting. Given that the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented which explains the adjustments necessary to reconcile the fund financial statements to the government-wide financial statements.

Basis of Accounting and Measurement Focus

The fund financial statements of the governmental funds are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available to finance operations during the year. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period, usually 45 days after year end. Expenditures are recorded when the related fund liability is incurred. Expenditures for debt service and compensated absences are recorded when the related liability is due and payable. In applying the modified accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of revenues. In one, eligibility requirements must be met before revenues are recognized. In the other, there are no eligibility requirements and resources are reflected as revenues at the time of receipt. Amounts received in advance for grants with eligibility requirements are recorded as unearned revenue until eligibility requirements are met.

The government-wide statements of net position and activities are accounted for on a flow of economic resources measurement focus and an accrual basis of accounting. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these activities are included on the balance sheet. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The Commission utilizes the economic resources management focus and the accrual basis of accounting in preparing its financial statements. Under the accrual method, revenues are recognized when earned and expenses are recognized when incurred. The Commission has adopted Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*. The Commission has elected not to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989, as allowed by GASB Statement No. 20.

The Statement of Net Position presents the Commission's assets and liabilities, with the difference reported as net position. Net position is categorized into three components:

Invested in capital assets - net of related debt - represents the Commission's total investment in capital assets, net of accumulated depreciation reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets***.***

Restricted net position - result when constraints placed on net position use are either externally imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - consist of net position which do not meet the definition of the two preceding categories.

Cash and Cash Equivalents

The Commission includes all cash accounts not subject to withdrawal restrictions or penalties and all highly liquid debt investments purchased with an original maturity of three months or less as cash and cash equivalents in the accompanying statement of net position.

Accounts Receivable

The Commission considers all accounts receivable to be fully collectible; accordingly, no allowance is required at June 30, 2015 and 2014. Concentration of credit risk with respect to accounts receivables are limited due to the number of grantors, many of which are federal government grants.

Capital Assets

Capital assets are recorded at cost. Depreciation is computed on the straight-line method over the following estimated useful lives:

Building and improvements	40 years
Office furniture and equipment	5 years
Automobiles	5 years

Maintenance and ordinary repairs are charged to expense as incurred. Expenditures greater than $5,000 which materially increase values, change capacities, or extend useful lives are capitalized.

Investments

The Commission accounts for investments at fair value.

Advertising

The Commission expenses advertising costs as they are incurred. Advertising expense for 2015 and 2014 was $13,438 and $13,532, respectively.

GASB Accounting Pronouncement

The Commission implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27 ("GASB No. 68") and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68 ("GASB No. 71") during fiscal year 2015. GASB No. 68 provides accounting and financial reporting guidance for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions and related disclosures. GASB No. 71 provides accounting and financial reporting guidance for contributions, if any, made by the employer to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The accounting changes required by GASB No. 68 and No. 71 are applied retroactively by reclassifying the statement of net position, balance sheet information, and results of operations.

Pensions

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.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses and disclosures of contingent assets and liabilities for the reported periods. Actual results could differ from those estimates and assumptions.

Budgets and Budgetary Accounting

The Commission's annual budget is a management tool that assists users in analyzing financial activity for its June 30 fiscal year. The Commission's primary funding sources are federal and state grants and local subsidies, which have periods that may or may not coincide with the Commission's fiscal year. These grants and subsidies are normally for a twelve-month period; however, they may be awarded for periods shorter or longer than twelve months.

Because of the Commission's dependency on federal, state and local budgetary decisions, revenue estimates are based upon the best available information as to potential sources of funding. The Commission's annual budget differs from that of a local government due to the uncertain nature of grant awards from other entities.

The resultant annual budget is subject to constant change within the fiscal year due to:

- Increases/decreases in actual grant awards from those estimated;
- Unanticipated grant awards not included in the budget; and
- Expected grant awards that fail to materialize.

The Commissioners formally approve the annual budget in April, before the fiscal year begins. Due to grant expirations and new awards, amendments are made throughout the year as necessary.

Subsequent Events

In preparing these financial statements, the Commission has evaluated events and transactions for potential recognition or disclosure through November 30, 2015, the date the financial statements were available to be issued.

3. Retrospective Application of a Change in Accounting Principle

The following table summarizes the effects of the implementation of GASB No. 68 and No. 71 in the statements of net position as of June 30, 2015 and 2014:

	(As Previously Reported) June 30, 2014	Record Effects of GASB 68	(As Adjusted) June 30, 2014
Total assets	$ 6,514,724	$ -	$ 6,514,724
Deferred outflows of resources	-	265,987	265,987
Total liabilities	1,971,594	2,554,170	4,525,764
Deferred inflows of resources	-	-	-
Net position:			
Net investment in capital assets	1,278,598	-	1,278,598
Unrestricted	2,051,645	(1,888,183)	163,462
Unrestricted – commission designated	1,212.887	(400,000)	812,887
Total net position	$ 4,543,130	$ (2,288,183)	$ 2,254,947

The following table summarizes the effects of the implementation of GASB No. 68 and No. 71 in the statements of net position as of June 30, 2015 and 2014:

	(As Previously Reported) June 30, 2014	Record Effects of GASB 68	(As Adjusted) June 30, 2014
Total operating revenues	$ 10,325,266	$ -	$ 10,325,266
Total operating expenses	10,082,419	(265,987)	9,816,432
Operating income before provision for depreciation	242,847	265,987	508,834
Provision for depreciation	115,418	-	115,418
Operating income	127,419	265,987	393,416
Nonoperating revenues, net	39,218	-	39,218
Increase in net position	166,647	265,987	432,634
Total net position – beginning of year	4,376,483	(2,554,170)	1,822,313
Total net position – end of year	$ 4,543,130	$ (2,288,183)	$ 2,254,947

4. Cash, Cash Equivalents and Investments

Deposits

At June 30, 2015 and 2014, the carrying amount of the Commission's deposits with banks was $16,288 and $221,535, respectively, and the bank balances were $169,298 and $404,435, respectively. Cash and cash equivalents exceeding the Federal Deposit Insurance Corporation (FDIC) limits were $0 and approximately $155,000 at June 30, 2015 and 2014. Deposits are covered by the Virginia Security for Public Deposits Act (the Act) at June 30, 2015. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans. If any member financial institution fails, the entire collateral becomes available to satisfy the claims of the Commission. If the value of the pool's collateral is inadequate to cover a loss, additional amounts would be assessed on a pro-rata basis to the members (banks and savings and loans) of the pool. Therefore, these deposits are considered collateralized and, as a result, are considered insured.

$701,503 and $656,271 at June 30, 2015 and 2014, respectively, were invested in a U.S. government money market mutual fund. These investments are covered by the investment firm's (Scott & Stringfellow's) insured deposit program which consists of monies held in non-interest bearing deposit accounts at multiple banking institutions. These assets are eligible for FDIC coverage up to $250,000 per depositor per institution per category. The U.S. government money market fund is a money market mutual fund that owns U.S. government securities and repurchase agreements that are collateralized by U.S. government securities. The fund meets all investment guidelines under the Code of Virginia and is an eligible investment under the Code of Virginia Investment Guidelines. Cash and cash equivalents, as represented on the statements of net position, includes petty cash of $125 at June 30, 2015 and 2014.

Investments

Investment Policy

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). At June 30, 2015 and 2014, the Commission had an investment of $1,543,828 and $1,141,152, respectively, in the LGIP which is appropriately classified as a cash equivalent since the Commission's LGIP funds are held in money market funds.

Concentration of Credit Risk

The Policy establishes limitations on portfolio composition by issuer in order to control concentration of credit risk. No more than 5% of the Commission's portfolio will be invested in the securities of any one issuer with the exception of: (1) the U.S. government or Agencies thereof, (2) fully insured/collateralized certificates of deposit or repurchase agreements that are collateralized by the U.S. government or Agencies thereof, and (3) mutual funds whereby the portfolio is limited to U.S. government or Agency securities.

Interest Rate Risk

As of June 30, 2015 and 2014, the Commission had the following investments:

	Investment Maturities (in Years) as of June 30, 2015				
		Less Than			More
Investment Type	**Fair Value**	**1**	**1 - 5**	**6 - 10**	**Than 10**
Fixed income bonds - various	$ 2,199,789	$ 1,524,789	$ 675,000	$ -	$ -

	Investment Maturities (in Years) as of June 30, 2014				
		Less Than			More
Investment Type	**Fair Value**	**1**	**1 - 5**	**6 - 10**	**Than 10**
Fixed income bonds - various	$ 1,642,471	$ 991,601	$ 650,870	$ -	$ -

The Commission is exposed to little interest rate risk since all investments had fixed interest rates at June 30, 2015 and 2014.

5. Capital Assets

Summary of capital assets is as follows for the year ending June 30, 2015:

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015
Capital assets not being depreciated:				
Land	$ 80,621	$ -	$ -	$ 80,621
Total capital assets not being depreciated at historical cost	80,621	-	-	80,621
Other capital assets:				
Building and improvements	2,340,643	7,980	-	2,348,623
Office furniture and equipment	738,445	169,530	(116,669)	791,306
Automobiles	90,443	-	(18,000)	72,443
Total other capital assets at historical cost	3,169,531	177,510	(134,669)	3,212,372
Less accumulated depreciation for:				
Building and improvements	(1,228,299)	(72,248)	-	(1,300,547)
Office furniture and equipment	(675,825)	(29,218)	116,669	(588,374)
Automobiles	(67,430)	(6,905)	18,000	(56,335)
Total accumulated depreciation	(1,971,554)	(108,371)	134,669	(1,945,256)
Total capital assets being depreciated, net	1,197,977	69,139	-	1,267,116
Capital assets - net	$ 1,278,598	$ 69,139	$ -	$ 1,347,737

Summary of capital assets is as follows for the year ending June 30, 2014:

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014
Capital assets not being depreciated:				
Land	$ 80,621	$ -	$ -	$ 80,621
Total capital assets not being depreciated at historical cost	80,621	-	-	80,621
Other capital assets:				
Building and improvements	2,340,643	-	-	2,340,643
Office furniture and equipment	827,918	-	(89,473)	738,445
Automobiles	90,443	-	-	90,443
Total other capital assets at historical cost	3,259,004	-	(89,473)	3,169,531
Less accumulated depreciation for:				
Building and improvements	(1,152,868)	(75,431)	-	(1,228,299)
Office furniture and equipment	(732,215)	(33,083)	89,473	(675,825)
Automobiles	(60,526)	(6,904)	-	(67,430)
Total accumulated depreciation	(1,945,609)	(115,418)	89,473	(1,971,554)
Total capital assets being depreciated, net	1,313,395	(115,418)	-	1,197,977
Capital assets - net	$ 1,394,016	$ (115,418)	$ -	$ 1,278,598

6. Retirement Plans

Defined Benefit Pension Plan

The Commission contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the VRS.

Plan Description

All full-time, salaried permanent (professional) employees of the Commission are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. The Political Subdivision Retirement Plans are an agent, multiple-employer plan. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, based on specific criteria as 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 below:

VRS PLAN 1:

About VRS Plan 1

VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

Eligible Members

Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

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 VRS 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 VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 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 school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a 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. Beginning July 1, 2012, the Commission opted for employees to pay the entire 5% member contribution.

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.

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.

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.

Average Final Compensation
A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

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%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

Normal Retirement Age
Age 65. Political subdivisions hazardous duty employees: Age 60.

Earliest Unreduced Retirement Eligibility
Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

Earliest Reduced Retirement Eligibility
Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

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%.

Eligibility:
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 1 after one calendar year following the unreduced retirement eligibility date.

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 or 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.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members 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 service, 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.

<u>VRS PLAN 2:</u>

About VRS Plan 2
VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Eligible Members
Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Hybrid Opt-In Election
VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS 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 VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

Retirement Contributions
Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some of the political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the 5% by July 1, 2016. Beginning July 1, 2012, the Commission opted for employees to pay the entire 5% member contribution.

Creditable Service
Same as VRS Plan 1.

Vesting
Same as VRS Plan 1.

Calculating the Benefit
See definition under VRS Plan 1.

Average Final Compensation
A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

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. The retirement multiplier for sheriffs and regional jail superintendents and for hazardous duty employees is the same as Plan 1.

Normal Retirement Age
Normal Social Security retirement age. Political subdivisions hazardous duty employees: same as Plan 1.

Earliest Unreduced Retirement Eligibility
Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

Earliest Reduced Retirement Eligibility
Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Hazardous duty members are eligible for a reduced retirement benefit at age 50 with at least five years of creditable service.

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%.

Eligibility:
Same as VRS Plan 1

Exceptions to COLA Effective Dates:
Same as VRS Plan 1

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.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Purchase of Prior Service
Same as VRS Plan 1.

HYBRID RETIREMENT PLAN

About the Hybrid Retirement Plan
The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014, are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)

• 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 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.

Eligible Members
Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
• State employees*
• School division employees
• Political subdivision employees*
• Judges appointed or elected to an original term on or after January 1, 2014
• Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014

*Non-Eligible Members
Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
• Members of the State Police Officers’ Retirement System (SPORS)
• Members of the Virginia Law Officers’ Retirement System (VaLORS)
• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

Retirement Contributions
A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Creditable Service

<u>Defined Benefit Component:</u>
Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit.

<u>Defined Contributions Component:</u>
Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

Vesting

<u>Defined Benefit Component:</u>
Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

<u>Defined Contributions Component:</u>
Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

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.

- 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 by law until age 70½.

Calculating the Benefit

<u>Defined Benefit Component:</u>
See definition under VRS Plan 1

<u>Defined Contribution Component:</u>
The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

Average Final Compensation
Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier
The retirement multiplier is 1.0%.

For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Normal Retirement Age

Defined Benefit Component:
Same as VRS Plan 2.

Defined Contribution Component:
Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Unreduced Retirement Eligibility

Defined Benefit Component:
Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component:
Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Reduced Retirement Eligibility

Defined Benefit Component:
Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component:
Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component:
Same as VRS Plan 2.

Defined Contribution Component:
Not applicable.

Eligibility:
Same as VRS Plan 1 and VRS Plan 2.

Exceptions to COLA Effective Dates:
Same as VRS Plan 1 and VRS Plan 2.

Disability Coverage
Eligible political subdivision and school division (including VRS Plan 1 and VRS Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.

State employees (including VRS Plan 1 and VRS Plan2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Purchase of Prior Service

Defined Benefit Component:

Same as VRS Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.
- The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.
- Plan members have one year from their date off hire or return from leave to purchase all but refunded prior service at approximate normal cost. After the one-year period, the rate for most categories of service will change to actuarial cost.

Defined Contribution Component:

Not applicable.

Employees Covered by Benefit Terms

As of the June 30, 2013, actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	31
Inactive members:	
Vested	14
Non-vested	15
Active elsewhere in VRS	14
Total inactive members	43
Active members	43
Total	117

Contributions

The contributions 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 5.0% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.0% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5.0% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.0% 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 political subdivision's contractually required contribution rate for the year ended June 30, 2015 was 8.87% 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. Contributions to the pension plan from the Commission were $258,102 and $265,987 for the years ended June 30, 2015 and 2014, respectively.

Net Pension Liability

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

Actuarial Assumptions

The total pension liability for General Employees in the Commission's Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, 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 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

All Others (Non 10 Largest) – Non-LEOS:
Pre-Retirement:
RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.
Post-Retirement:
RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

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

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

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return on pension 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 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	Weighted Average Long-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%.

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.

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2013	$ 14,596,390	$ 12,042,220	$ 2,554,170
Changes for the year:			
Service cost	303,385	-	303,385
Interest	996,091	-	996,091
Contributions – employer	-	265,987	(265,987)
Contributions – employee	-	168,862	(168,862)
Net investment income	-	1,878,198	(1,878,198)
Benefit payments, including refunds of employee contributions	(733,051)	(733,051)	-
Administrative expense	-	(10,281)	10,281
Other changes	-	99	(99)
Net changes	566,425	1,569,814	(1,003,389)
Balances at June 30, 2014	$ 15,162,815	$ 13,612,034	$ 1,550,781

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

The following represents the net pension liability calculated using the stated discount rate, as well as what the net position liability would be if it were calculated using a stated discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Plan's Net Pension Liability	$ 3,411,659	$ 1,550,781	$ 2,812

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

For the year ending June 30, 2015 and 2014, the Commission recognized pension expense of $99,427 and $ -. At June 30, 2015 and 2014, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
June 30, 2015				
Employer contributions made subsequent to measurement date	$	258,102	$	-
Net difference between projected and actual earnings on plan investments		-		836,829
	$	258,102	$	836,829
June 30, 2014				
Contributions made subsequent to measurement date	$	265,987	$	-

Amounts reported as deferred inflows of resources related to pensions as of June 30, 2015, will be recognized in pension expense as follows:

Year ended June 30:		
2016	$	209,207
2017		209,207
2018		209,207
2019		209,208
Total	$	836,829

Deferred Compensation Plan

The Commission has a deferred compensation plan under which the participants may defer a portion of their annual compensation subject to limitations of Internal Revenue Code Section 457. Any contributions made to the deferred compensation plan are not available to employees until termination, retirement, death, or unforeseeable emergency. Contributions to the plan are administrated by a third party administrator, ICMA Retirement Corporation.

7. Compensated Absences

The Commission accrues for vested vacation and sick pay when it is earned by employees. Vacation and sick pay are earned based on years of employment. The amount of vested vacation and sick pay accrued was $460,241 and $435,363 for 2015 and 2014, respectively.

8. Unrestricted Net Position – Commission Designated

Unrestricted-commission designated net position are available for the following purposes:

	2015	2014
Stormwater (338)	$ 586,332	$ 711,916
Regional Water (H2O) (337)	411,502	437,558
Regional Wastewater Program (348)	180,472	172,383
Solid Waste Special Contracts Local (39200)	132,147	92,778
Capital building replacement reserve (39504)	124,685	74,685
Metro Medical Response (350)	111,790	(358,328)
Municipal Construction Std (391)	33,884	1,507
HR WET Info (330)	31,128	24,751
Building operations and maintenance reserve (39505)	28,649	23,649
Local Government Contracts (336)	15,498	4,259
Network servers/software reserve (39503)	10,000	61,565
Vehicle replacement reserve (39501)	10,000	5,000
Debris Management (39601)	8,965	8,965
HRLFP Admin (355)	8,676	4,430
Telephone system replacement reserve (39502)	7,000	28,000
Interior upgrades reserve (39506)	5,576	10,556
SHRDSB Staff (35600	270	270
DCR Bay Grant (333)	-	(4,771)
VDEM FY10 Grant Funding (39134)	-	(16,352)
DEQ Contracts (335)	(1,177)	-
2014 Poquoson Mitigation Update (39137)	(24,479)	(12,420)
DEQ Contracts (334)	(34,212)	(72,234)
Agency funded (390)	(89,228)	(22,172)
UASI FY11 (39140)	(132,695)	(363,108)
UASI FY14 (39142)	(277,945)	-
	$ 1,146,838	$ 812,887

Negative balances represent restricted expenditures already made by the Commission for which grant reimbursement has not yet been received. Such grants reimburse only quarterly or semi-annually.

9. Postretirement Benefits Other than Pensions

The Commission adopted Government Auditing Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* The Statement establishes standards for reporting the liability for non-pension postemployment benefits, the health care premiums for retirees.

(a) Plan Provisions and Benefits

In addition to providing the pension benefits described in Note 5, the Commission provides other postemployment benefits (OPEB) for retired employees and their spouses and dependents. The plan's benefit levels and employer contributions are governed by the Commission and can be amended by the Commission through its Personnel and Budget Committee. The Plan provides for healthcare insurance coverage for eligible retirees and their spouses and dependents. Membership in the plan at June 30, 2015 consisted of 40 active members with total active covered payroll of $3,027,800 and 23 retirees and spouses.

(b) Plan Description

Covered full-time active employees who retire directly from the Commission with at least 20 years of service are eligible to receive postretirement health care benefits. Non-Medicare (under age 65) and Medicare eligible (age 65+) retirees and their spouses and dependents are covered with the Commission contributing 100% of the cost of participation in Anthem (PPO) or Advantage 65 (PPO) health insurance plans depending upon the retiree's Medicare eligibility.

(c) Funding Policy

The Commission pays the full cost of coverage for healthcare benefits for qualified retirees and their spouses and dependents. The Commission has chosen to fund the healthcare benefits on a pay as you go basis, so the plan has no assets.

The current annual required contribution of the employer (ARC) is 11.4% of covered payroll. For 2015, the Commission contributed $60,170 or approximately 2.0% of covered payroll.

(d) Summary of Significant Accounting Policies

No funds are set aside to pay benefits and administrative costs. These expenses are paid as they come due.

(e) Annual OPEB Costs and Net OPEB Obligation

The Commission's annual OPEB cost (expense) is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. Due to the plan's policy of not funding the ARC, there are still 30 years remaining in the amortization period as of June 30, 2015. The following table shows the components of the Commission's annual OPEB cost, the amount actually contributed to the plan, and changes in the Commission's net OPEB obligation for the healthcare benefits for the years ended June 30, 2015 and 2014:

	2015	**2014**
Annual required contribution	$ 346,400	$ 304,700
Interest on net OPEB obligation	38,746	30,134
Adjustment to the ARC	(40,935)	(31,351)
Annual OPEB cost	344,211	303,483
Contributions made	60,170	57,432
Increase in net OPEB obligation	284,041	246,051
Net OPEB obligation, beginning of year	1,107,025	860,974
Net OPEB obligation, end of year	$ 1,391,066	$ 1,107,025

The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2015 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	$ 344,211	17.48%	$ 60,170
2014	$ 303,483	18.92%	$ 57,432
2013	$ 289,067	17.98%	$ 51,967

(f) Funded Status and Funding Progress

As of June 30, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was $3,839,600. The covered payroll (annual payroll of active employees covered by the plan) was $3,027,800, and the ratio of the UAAL to the covered payroll was 126.81 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer and subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

(g) Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the June 30, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included 3.5% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual health cost trend assumption utilizing the Getzen Trend Model. The investment rate included a 3.0% payroll growth assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2015, was 30 years since the plan is not funded.

10. Commitments

On July 1, 2010, the Commission entered into an annual agreement with a vendor to provide public relations and marketing consulting services on environmental matters. The contract has an automatic renewal option for up to four years, unless otherwise terminated by either party. The Commission renewed the annual contract on July 1, 2015, and the renewal includes the same automatic four year renewal option. The contract requires annual payments of $100,000.

In June 2013, the Executive Committee authorized the Executive Director to contract with various vendors for the 2014 fiscal year. In July 2013 the Commission entered into an agreement with a vendor to provide legal counsel for assistance in the areas of storm water permits, TMDL requirements and associated activities. The contract has an automatic renewal option for up to four years, unless otherwise terminated by either party. The contract approximate fee is $95,000 annually. A new contract was signed with this vendor commencing on July 1, 2015 for one year. The contract amount is up to $35,000.

The Commission entered into an agreement with a separate vendor to provide water quality monitoring. The contract was for a period of one year commencing in January 2014. Total amount of this contract is $500,000. A new contract was signed with this vendor commencing on March 1, 2014 through June 30, 2019. The contract amount is up to $500,000 annually.

The Commission entered into various agreements for services related to regional and environmental planning and analysis on July 1, 2015. All agreements are annual and include renewal options for up to four years.

* * * * *

Hampton Roads Planning District Commission

Required Supplementary Information

June 30, 2015

Hampton Roads Planning District Commission

Schedule of Changes in Net Pension Liability and Related Ratios

Year Ended June 30, 2015

Total pension liability		
Service cost	$	303,385
Interest		996,091
Benefit payments		(733,051)
Net change in total pension liability		566,425
Total pension liability - beginning		14,596,390
Total pension liability - ending (a)	$	15,162,815
Plan fiduciary net position		
Contributions - employer	$	265,987
Contributions - employee	$	168,862
Net investment income		1,878,198
Benefit payments		(733,051)
Administrative expenses		(10,281)
Other changes		99
Net change in plan fiduciary net position		1,569,814
Plan fiduciary net position - beginning		12,042,220
Plan fiduciary net position - ending (b)	$	13,612,034
Commission's net pension liability (asset) - ending (a) - (b)	$	1,550,781
Plan fiduciary net position as a percentage of the total pension liability		89.8%
Covered-employee payroll		3,133,501
Net pension liability as a percentage of covered-employee payroll		49.5%

Note: Information in this schedule is presented for the year in which information is available. Information will be added each year until a full 10-year trend is presented.

Hampton Roads Planning District Commission

Schedule of Contributions

Year Ended June 30,		2015		2014
Actuarially determined contribution	$	258,102	$	265,987
Contributions in relation to the actuarially determined contribution		258,102		265,987
Contribution deficiency (excess)	$	-	$	-
Covered-employee payroll	$	3,133,501	$	3,448,398
Contributions as a percentage covered-employee payroll		8.2%		7.7%

Notes to Schedule

Actuarily determined contribution rates are based on the most recent valuation date, which was June 30, 2013. Methods and assumptions used to determine contribution rates are as follows:

Actuarial cost method	Entry age normal
Amortization method	Level percent closed
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	5-years for investment gains and losses
Investment rate of return*	7.00%
Projected salary increases*	3.50% - 5.35%
Cost-of-living adjustments	2.25% - 2.50%
*Includes inflation at	2.50%

Note: Information in this schedule is presented for the year in which information is available. Information will be added each year until a full 10-year trend is presented.

See accompanying notes and independent auditors' report.

Year Ended June 30, 2015

Changes of benefit terms

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

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

Hampton Roads Planning District Commission

Compliance Section

June 30, 2015

DIXON HUGHES GOODMAN LLP

Independent Auditors' 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

Board of Directors
Hampton Roads Planning District Commission

We have audited, 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, the financial statements of ***Hampton Roads Planning District Commission*** as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise ***Hampton Roads Planning District Commission's*** basic financial statements, and have issued our report thereon dated November 30, 2015.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered ***Hampton Roads Planning District Commission's*** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ***Hampton Roads Planning District Commission's*** internal control. Accordingly, we do not express an opinion on the effectiveness of ***Hampton Roads 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

DIXON HUGHES GOODMAN LLP

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ***Hampton Roads Planning District Commission's*** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters, which 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.

Dixon Hughes Goodman LLP

Newport News, Virginia
November 30, 2015

DHG
DIXON HUGHES GOODMAN LLP

Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Board of Directors
Hampton Roads Planning District Commission

Report on Compliance for Each Major Federal Program
We have audited ***Hampton Roads Planning District Commission's*** compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of ***Hampton Roads Planning District Commission's*** major federal programs for the year ended June 30, 2015. ***Hampton Roads Planning District Commission's*** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for each of ***Hampton Roads Planning District Commission's*** major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ***Hampton Roads Planning District Commission's*** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of ***Hampton Roads Planning District Commission's*** compliance.

Opinion on Each Major Federal Program
In our opinion, ***Hampton Roads Planning District Commission*** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

DHG
DIXON HUGHES GOODMAN LLP

Report on Internal Control over Compliance

Management of ***Hampton Roads Planning District Commission*** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered ***Hampton Roads Planning District Commission's*** internal control over compliance with types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of ***Hampton Roads Planning District Commission***'s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Dixon Hughes Goodman LLP

Newport News, Virginia
November 30, 2015

Hampton Roads Planning District Commission

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2015

Federal Granting Agency/Recipient State Agency/Grant Program/Grant Number	Catalog CFDA Number	Federal Expenditures
Federal Grants: Cash Programs:		
Major Programs		
Department of Transportation - Highway Planning and Construction Program		
Federal Highway Administration		
Pass-through payments - Virginia Department of Transportation		
PL Federal Aid Urban Systems (FAUS) Program	20.205	1,538,401
SP&R Federal Aid Urban Systems (FAUS)	20.205	35,034
RSTP	20.205	8,244
		1,581,679
Other Federal Awards		
Department of Homeland Security - Homeland Security Cluster		
Pass-through payments - Virginia Department of Emergency Management:		
Urban Areas Security Initiative II	97.008	$ 368,480
Urban Areas Security Initiative	97.067	441,102
Metropolitan Medical Response System	97.071	22,601
VA Regional Preparedness Plan FY10	97.073	68,431
		900,614
Department of Homeland Security - Regional Catastrophic Preparedness Grant (RCPGP)		
Pass-through payments - Virginia Department of Emergency Management:		
RCPGP FY11	97.111	30,400
Department of Homeland Security - VDEM Hazard Mitigation Grant		
Pass-through payments - Virginia Department of Emergency Management:		
VDEM Hazard Mitigation Grant	97.039	30,779
		961,793
Department of Transportation - Metropolitan Transportation Planning Program		
Federal Transit Administration		
Pass-through payments - Virginia Department of Rail and Public Transit		
Technical Study Grant (includes $570,609 in pass-through expenditures)	20.505	737,873
Department of Commerce		
National Oceanic and Atmospheric Administration		
Pass Through Payments - Virginia Department of Environmental Quality		
Coastal Resources Management	11.419	102,649
Environmental Protection Agency - Pass-through payments		
Virginia Chesapeake Bay Implementation Program (James River Roundtable)	66.466	(1,631)
Total Federal Awards		$ 3,382,363

* Type A programs. All other programs are Type B.

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Commission and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts in, or used in the preparation of the basic financial statements.

Year Ended June 30, 2015

1. Summary of Auditors' Results

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting:

There were no material weaknesses identified.
There were no significant deficiencies identified.

The audit did not disclose any material noncompliance.

Federal Awards

Internal control over major programs:

There were no material weaknesses identified.
There were no significant deficiencies identified.

An unqualified opinion was issued on compliance for major programs.
The major program is the Highway Planning and Construction Program (CFDA # 20.205)
The dollar threshold used to distinguish between Type A and Type B programs is $300,000.
The auditee qualified as a low-risk auditee.

2. Findings Relating to the Financial Statements which are Required to be Reported in Accordance with GAGAS

None

3. Findings and Questioned Costs for Federal Awards

None

4. Resolution of Prior Year Findings

There were no prior year findings.

Report to the Board of Directors

Hampton Roads Planning District Commission

June 30, 2015

DIXON HUGHES GOODMAN LLP

DIXON HUGHES GOODMAN LLP

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DIXON HUGHES GOODMAN LLP

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Norfolk, VA 23510
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DHG
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Communications with Those Charged with Governance

November 30, 2015

To the Board of Directors
Hampton Roads Planning District Commission

We have audited the financial statements of Hampton Roads Planning District Commission (the "Commission") for the year ended June 30, 2015, and have issued our report thereon dated November 30, 2015. Professional standards require that we provide you with information about our responsibilities in accordance with auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 7, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Hampton Roads Planning District Commission are described in Note 2 to the financial statements. As described in Notes 2 & 3 to the financial statements, the Commission adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions (GASB 68)* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date (GASB 71)*, in 2015. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant and unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the financial statements prepared by management, and are based on management's knowledge and experience about past and current events, and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most significant estimate in the Commissions financial statements is the estimate of its net pension liability and related assets and liabilities as described in Notes 2, 3 and 6.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were the disclosures concerning retirement plans and the related liability as described in Notes 2, 3 and 6, postretirement benefits other than pensions described in Note 9 and Unrestricted Net Position – Commission Designated as described in Note 8.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements as summarized in the attached journal entry listing in Appendix B.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter included in Appendix A.

Management Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Commission's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Significant Matters, Findings, or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

> During single audit testing procedures we noted that the Indirect Cost Plan was last approved by the Virginia Department of Transportation (VDOT), the cognizant agency, in 2004. Due to changes in the Uniform Guidance effective for grant funds awarded after December 26, 2014, we recommended that an updated Indirect Cost Plan be approved and granted as the VDOT may impose additional requirements, which the Commission obtained subsequent to the audit. In addition, we also recommend sending an annual negative confirmation to VDOT with the indirect cost methodology and actual rate for all material grants.
>
> The Commission should be aware of new Uniform Guidance requirements over procurement and conflict of interest documentation, and ensure that the current internal procurement policy confirms to the Uniform Guidance. The new requirements can be found in Section 200.317-200.326 of the Uniform Guidance. The Uniform Guidance allows for an extension for implementation of the new procurement rules for one fiscal year after the effective date off the Uniform Guidance, however documentation must be kept on file stating which policy is in effect.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Hampton Roads Planning District Commission and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Dixon Hughes Goodman LLP

Newport News, Virginia

Appendix A

Management Representation Letter

DIXON HUGHES GOODMAN LLP

HAMPTON ROADS PDC PLANNING DISTRICT COMMISSION

CLYDE A. HAULMAN CHAIRMAN • ELLA P. WARD, VICE-CHAIR • MARCUS D. JONES, TREASURER
ROBERT A. CRUM, JR. EXECUTIVE DIRECTOR/SECRETARY

MEMBER JURISDICTIONS

CHESAPEAKE
FRANKLIN
GLOUCESTER
HAMPTON
ISLE OF WIGHT
JAMES CITY
NEWPORT NEWS
NORFOLK
POQUOSON
PORTSMOUTH
SMITHFIELD
SOUTHAMPTON
SUFFOLK
SURRY
VIRGINIA BEACH
WILLIAMSBURG
YORK

November 30, 2015

Dixon Hughes Goodman, L.L.P.
440 Monticello Avenue, Suite 1400
Norfolk, Virginia 23510

RE: FY 15 Audit Representation Letter

To Whom it May Concern:

This representation letter is provided in connection with your audits of the financial statements of Hampton Roads Planning District Commission, which comprise the statements of net position as of June 30, 2015 and 2014 and the respective statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S.GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audit.

Financial Statements

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 7, 2015, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.

2) We acknowledge our responsibility for 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.

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3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

4) The following have been properly accounted for and disclosed in the financial statements:

   a) Related-party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
   b) Guarantees, whether written or oral, under which the Commission is contingently liable.
   c) Other liabilities or gain or loss contingencies.

5) Significant estimates that may be subject to a material change in the near term have been properly disclosed in the financial statements. We understand that "near term" means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the Commission vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements.

6) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

7) There are no uncorrected misstatements or omitted disclosures.

8) We are in agreement with the adjusting journal entries you have recommended, and they have been posted to the Commission's accounts.

9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

Information Provided

10) We have provided you with:

   a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters, and all audit or relevant monitoring reports, if any, received from funding sources.

   b) Additional information that you have requested from us for the purpose of the audit.

   c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

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d) Minutes of the meetings of the Board of Commissioners and the Executive Committee, or summaries of actions of recent meetings for which minutes have not yet been prepared.

11) All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.

12) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

13) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:

a) Management,

b) Employees who have significant roles in internal control, or

c) Others where the fraud could have a material effect on the financial statements.

14) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.

15) We have disclosed to you all known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

16) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

17) We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

18) There are no:

a) Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

b) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed.

19) We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation or claims.

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Government—Specific

20) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

21) We have a process to track the status of audit findings and recommendations.

22) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

23) We have provided our views on reported findings, conclusions, and recommendations, if any, as well as our planned corrective actions, for the report.

24) The Commission has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

25) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts.

26) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

27) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

28) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.

29) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

30) As part of your audit, you assisted with preparation of the financial statements and related notes and schedule of expenditures of federal awards and the submission of the data collection form to the Federal Clearing House. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have assumed all management responsibilities.

We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards and the data collection form.

31) The Commission has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

32) The Commission has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

33) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.

34) Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.

35) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.

36) Provisions for uncollectible receivables have been properly identified and recorded.

37) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.

38) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

39) We take responsibility for the current year implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, and we have reviewed and approved the adjustments to the financial statements and necessary disclosures that you have proposed.

40) With respect to federal award programs:

a) We are responsible for understanding and complying with and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, including requirements relating to preparation of the schedule of expenditures of federal awards.

b) We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of OMB Circular A-133 §310.b, and we believe the SEFA, including its form and content, is fairly presented in accordance with OMB Circular A-133 §310.b. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.

c) If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.

d) We have identified and disclosed to you all of our government programs and related activities subject to OMB Circular A-133, and included in the SEFA expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.

e) We are responsible for understanding and complying with, and have complied with, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.

f) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.

g) We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.

h) We have received no requests from a federal agency to audit one or more specific programs as a major program.

i) We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you, if any), including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the requirements of federal awards.

j) We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.

k) We have disclosed to you the findings received, if any, and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.

l) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, and OMB's *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.

m) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.

n) We have made available to you all documentation related to compliance with the direct material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.

o) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.

p) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.

q) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies in internal control over compliance (including material weaknesses in internal control over compliance), have occurred subsequent to the date as of which compliance was audited.

r) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.

s) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.

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t) We have monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of OMB Circular A-133.

u) We have taken appropriate action, including issuing management decisions, on a timely basis after receipt of subrecipients' auditor's reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements, if any, and have ensured that subrecipients have taken the appropriate and timely corrective action on findings.

v) We have considered the results of sub-recipient audits and have made any necessary adjustments to our books and records.

w) We have charged costs to federal awards in accordance with applicable cost principles.

x) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133 and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.

y) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133.

z) We are responsible for preparing and implementing a corrective action plan for each audit finding.

We have evaluated subsequent events through the date of this letter, which is the date the financial statements were issued or available to be issued. No events have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

NKC/jc

Signed: [signature]

Robert A. Crum, Jr.
Executive Director
Hampton Roads Planning
District Commission

Signed: Nancy K Collins

Nancy K. Collins
Chief Financial Officer
Hampton Roads Planning
District Commission

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Appendix B
Adjusting Journal Entries

DIXON HUGHES GOODMAN LLP

Client: ***Hampton Roads Planning District Commission***
Engagement: ***Hampton Roads Planning District Commission***
Period Ending: ***6/30/2015***
Workpaper: ***Adjusting Journal Entries***

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1		**1482**		
PBC entry to adjust grandfather sick leave.				
50000	SALARIES		741.00	
20600	ACCRUED GRANDFATHER LEAVE			741.00
Total			**741.00**	**741.00**
Adjusting Journal Entries JE # 5		**1482**		
PBC entry to record GASB 45 retiree liability FY15				
90000	OPEB expenses		251,925.00	
22400	GASB 45 RETIREE			251,925.00
Total			**251,925.00**	**251,925.00**
Adjusting Journal Entries JE # 6		**1385**		
Entry to adjust GASB 45 Liability to actual				
90000	OPEB expenses		32,116.00	
22400	GASB 45 RETIREE			32,116.00
Total			**32,116.00**	**32,116.00**
Adjusting Journal Entries JE # 7		**7150**		
To adjust for GASB 68 implementation				
39500	FUND BALANCE		2,288,183.00	
DHG2	Deferred pension contribution (outflow)		258,102.00	
50500	FRINGE BENEFITS			158,675.00
DHG1	Net pension liability			1,550,781.00
DHG3	Deferred pension investment experience (inflow)			836,829.00
Total			**2,546,285.00**	**2,546,285.00**