Financial Statements
Years Ended
June 30, 2013 and 2012

HAMPTON ROADS
PDC
PLANNING DISTRICT COMMISSION

DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

Hampton Roads Planning District Commission

Contents

Independent Auditors' Report

Board of Directors
Hampton Roads Planning District Commission

Report on the Financial Statements

We have audited the accompanying financial statements of ***Hampton Roads Planning District Commission,*** which comprise the statements of net position as of June 30, 2013 and 2012, and the related 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.

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.

Auditor's 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ***Hampton Roads Planning District Commission*** as of June 30, 2013 and 2012, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 – 6 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 September 18, 2013 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
September 18, 2012

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, 2013. 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.

The following tables present the financial condition and operations of the Commission for the three years ending June 30, 2013, 2012 and 2011. 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

	2013	2012	2011
Assets			
Current assets	$ 4,375,697	$ 3,896,300	$ 4,878,596
Capital assets – net of accumulated depreciation	1,394,016	1,332,676	1,388,354
Other assets - investments	700,362	1,000,072	300,354
	$ 6,470,075	$ 6,229,048	$ 6,567,304
Liabilities and Net Position			
Current liabilities	$ 1,232,618	$ 984,851	$ 1,077,683
Other liabilities:			
Accrued post retirement benefit liability	860,974	623,874	438,731
Net position	4,376,483	4,620,323	5,050,890
	$ 6,470,075	$ 6,229,048	$ 6,567,304

Statements of Revenues, Expenses and Changes in Net Position

	2013	2012	2011
Operating revenues			
Local	$ 4,491,242	$ 3,990,202	$ 3,675,762
State (including federal pass-through)	5,983,724	5,497,203	5,985,203
Total operating revenues	10,474,966	9,487,405	9,660,965
Operating expenses			
Personnel	4,606,494	4,327,892	4,044,294
Pass-through and special contract expenses	5,360,911	4,590,056	4,927,524
Transportation pass-through expenses	313,874	518,173	274,637
Office services	339,482	388,847	417,736
Total operating expenses	10,620,761	9,824,968	9,664,191
Operating loss before depreciation	(145,795)	(337,563)	(3,226)
Depreciation	138,915	147,629	160,902
Operating loss	(284,710)	(485,192)	(164,128)
Contributions, assessments and miscellaneous Non-operating revenues	40,870	54,625	51,867
Change in net position	$ (243,840)	$ (430,567)	$ (112,261)

Statements of Changes in Net Position

	2013	2012	2011
Net position			
Invested in capital assets - net of related debt	$ 1,394,016	$ 1,332,676	$ 1,388,354
Unrestricted:			
Commission designated	804,122	961,445	1,338,933
Unrestricted for Commission activities	2,178,345	2,326,202	2,323,603
Total unrestricted	2,982,467	3,287,647	3,662,536
Net position	$ 4,376,483	$ 4,620,323	$ 5,050,890

Financial Highlights

Operating revenues were up $987,561 mainly due to a local grant received from HRSD for a one-time Sewer Consolidation study, and accelerated reimbursements for the MMRS program.

Expenditures were up $795,793 again as a result of the one-time HRSD project and MMRS activity.

The $284,710 operating loss was a result of increased activity in Commission designated programs that were expensed in FY2013 but whose revenues were received in prior fiscal years.

The $500,000 increase in Local Operating Revenues shown on the first line of the above schedule is a result of the HRSD special Sewer Consolidation project.

The financial statements of the Hampton Roads Planning District Commission (Commission) for the year ended June 30, 2013 indicate a $305,180 decrease in assets in the total unrestricted net position of the Commission (see the Statement of Changes in Net Position). Half of this overall decrease can be attributed to the expenditure of revenues received and recorded in prior years. The other half is for increased liability to fund GASB 45 OPEB reserves.

The liability for compensated balances decreased this year by $31,626, mainly due to the retirement of a long-time employee.

While the total unrestricted net position decreased by $305,180, the portion of the unrestricted reserve that is not commission designated decreased by $147,857, to $2,178,345, thus giving the Commission slightly less funding for unanticipated projects in future periods.

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 2011 and again in 2013, and as a result, this liability has been established at amounts designated by the study. *Please see* ***footnote 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,* 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.

Statements of Revenues, Expenses and Changes in Net Position

This statement details the $243,843 net decrease in total net position.

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.

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

Statements of Net Position

June 30,	**2013**	**2012**
Assets		
Current assets		
Cash and cash equivalents	$ 2,476,556	$ 2,563,810
Accounts receivable	1,741,782	926,072
Other current assets:		
Prepaid expenses	7,233	5,822
Investments	150,126	400,596
Total current assets	4,375,697	3,896,300
Capital assets - net of accumulated depreciation	1,394,016	1,332,676
Other assets		
Investments	700,362	1,000,072
	$ 6,470,075	$ 6,229,048
Liabilities and Net Position		
Current liabilities		
Accounts payable and accrued expenses	$ 557,612	$ 140,540
Bank overdraft	-	87,188
Compensated absences	574,382	606,008
Contracts payable	88,941	134,400
Unearned revenue	163	-
Other current liabilities	11,520	16,715
Total current liabilities	1,232,618	984,851
Other liabilities		
Accrued post-retirement benefit liability	860,974	623,874
Net position		
Invested in capital assets - net of related debt	1,394,016	1,332,676
Unrestricted:		
Unrestricted	2,178,345	2,326,202
Unrestricted - commission designated	804,122	961,445
Total unrestricted net position	2,982,467	3,287,647
Total net position	4,376,483	4,620,323
	$ 6,470,075	$ 6,229,048

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,	**2013**	**2012**
Operating revenues		
Local:		
Contract revenue	$ 2,828,540	$ 2,294,172
Contributions by participating jurisdictions	1,329,438	1,362,766
MMRS Local Assessment	333,264	333,264
	4,491,242	3,990,202
State (including federal pass-through):		
Virginia Department of Transportation	2,110,609	2,144,140
Virginia Department of Emergency Management - UASI	2,024,218	2,071,516
Virginia Department of Emergency Management - MMRS	1,317,384	794,940
Virginia Department of Environmental Quality	214,297	155,648
Virginia Department of Housing and Community Development State Allocation to the PDC	151,943	151,943
Virginia Department of Emergency Management - other	80,153	105,195
Virginia Department of Housing and Community Development Loan Funds	61,299	59,300
Williamsburg Area Transit	12,500	10,000
Virginia Department of Rehabilitative Services	11,321	4,521
	5,983,724	5,497,203
Total operating revenues	10,474,966	9,487,405
Operating expenses		
Passthrough and special contract expenses	5,361,211	4,590,056
Personnel	4,606,494	4,327,892
Transportation passthrough expenses	313,574	518,173
Office services	339,482	388,847
Total operating expenses	10,620,761	9,824,968
Operating loss before depreciation	(145,795)	(337,563)
Depreciation	138,915	147,629
Operating loss	(284,710)	(485,192)
Nonoperating revenues (expenses)		
Interest income	6,882	10,941
Unrealized loss on investments	(471)	(53)
Contributions, assessments and miscellaneous non-operating revenues	34,459	43,737
Total nonoperating revenues (expenses)	40,870	54,625
Change in net position	(243,840)	(430,567)
Net position - beginning of year	4,620,323	5,050,890
Net position - end of year	$ 4,376,483	$ 4,620,323

The accompanying notes are an integral part of these financial statements

Hampton Roads Planning District Commission

Statements of Cash Flows

Years Ended June 30,	2013	2012
Cash flows from operating activities		
Cash receipts from localities and grants	$ 9,659,256	$ 9,665,366
Cash payments to suppliers	(5,736,285)	(5,596,809)
Cash payments to employees	(4,401,020)	(4,119,546)
Net cash from operating activities	(478,049)	(50,989)
Cash flows from capital and related financing activities		
Contributions, assessments and miscellaneous non-operating revenues	34,459	43,737
Acquisition of capital assets	(200,255)	(91,951)
Net cash from capital and related financing activities	(165,796)	(48,214)
Cash flows from investing activities		
Interest received	6,882	10,941
Purchases of investments	549,709	(98,877)
Net cash from investing activities	556,591	(87,936)
Net change in cash and cash equivalents	(87,254)	(187,139)
Cash and cash equivalents - beginning of year	2,563,810	2,750,949
Cash and cash equivalents - end of year	$ 2,476,556	$ 2,563,810
Reconciliation of change in net position to cash from operations		
Operating loss	$ (284,710)	$ (485,192)
Adjustments to reconcile to net cash from operating activities:		
Depreciation	138,915	147,629
Change in:		
Accounts receivable	(815,710)	177,961
Prepaid expenses	(1,411)	16,302
Accounts payable and accrued expenses	417,235	(260,980)
Compensated absences	(31,626)	23,203
Contracts payable	(45,459)	55,118
Other current liabilities	(92,383)	89,827
Accrued post-retirement benefit liability	237,100	185,143
	$ (478,049)	$ (50,989)

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 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 sixteen 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.

Basis of Accounting

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, 2013 and 2012. 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 2013 and 2012 was $3,216 and $1,218, respectively.

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 in November and May of each year.

Subsequent Events

In preparing these financial statements, the Commission has evaluated events and transactions for potential recognition or disclosure through September 18, 2013, the date the financial statements were available to be issued.

3. Cash, Cash Equivalents and Investments

Deposits

At June 30, 2013 and 2012, the carrying amount of the Commission’s deposits with banks was $89,189 and $23,099, respectively, and the bank balances were $493,505 and $329,139, respectively. Deposits are covered by the Virginia Security for Public Deposits Act (the Act) at June 30, 2013. The entire bank balance was covered by FDIC at June 30, 2013. Under the Act, banks holding public deposits in excess of the amounts insured by Federal Deposit Insurance Corporation (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.

$1,247,260 and $1,802,313 at June 30, 2013 and 2012, 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, 2013 and 2012.

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, 2013 and 2012, the Commission had an investment of $1,139,982 and $738,273, 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, 2013 and 2012, the Commission had the following investments:

	Investment Maturities (in Years) as of June 30, 2013				
		Less Than			More
Investment Type	**Fair Value**	**1**	**1 - 5**	**6 - 10**	**Than 10**
Fixed income bonds - various	$ 850,488	$ 150,126	$ 700,362	$ -	$ -

	Investment Maturities (in Years) as of June 30, 2012				
		Less Than			More
Investment Type	**Fair Value**	**1**	**1 - 5**	**6 - 10**	**Than 10**
Fixed income bonds - various	$ 1,400,668	$ 400,596	$ 1,000,072	$ -	$ -

The Commission is exposed to little interest rate risk since all investments had fixed interest rates at June 30, 2013 and 2012.

4. Capital Assets

Summary of capital assets is as follows for the year ending June 30, 2013:

	Balance June 30, 2012	**Increases**	**Decreases**	**Balance June 30, 2013**
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	2,181,343	159,300	-	2,340,643
Office furniture and equipment	821,483	6,435	-	827,918
Automobiles	76,886	34,520	(20,963)	90,443
Total other capital assets at historical cost	3,079,712	200,255	(20,963)	3,259,004
Less accumulated depreciation for:				
Building and improvements	(1,076,256)	(76,612)	-	(1,152,868)
Office furniture and equipment	(677,248)	(54,967)	-	(732,215)
Automobiles	(74,153)	(7,336)	20,963	(60,526)
Total accumulated depreciation	(1,827,657)	(138,915)	20,963	(1,945,609)
Total capital assets being depreciated, net	1,252,055	61,340	-	1,313,395
Capital assets - net	$ 1,332,676	$ 61,340	$ -	$ 1,394,016

Summary of capital assets is as follows for the year ending June 30, 2012:

		Balance June 30, 2011		Increases		Decreases		Balance June 30, 2012
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		2,181,343		-		-		2,181,343
Office furniture and equipment		831,637		91,951		(102,105)		821,483
Automobiles		76,886		-		-		76,886
Total other capital assets at historical cost		3,089,866		91,951		(102,105)		3,079,712
Less accumulated depreciation for:								
Building and improvements		(1,003,230)		(73,026)		-		(1,076,256)
Office furniture and equipment		(708,850)		(70,503)		102,105		(677,248)
Automobiles		(70,053)		(4,100)		-		(74,153)
Total accumulated depreciation		(1,782,133)		(147,629)		102,105		(1,827,657)
Total capital assets being depreciated, net		1,307,733		(55,678)		-		1,252,055
Capital assets - net	$	1,388,354	$	(55,678)	$	-	$	1,332,676

5. Retirement Plans

Defined Benefit Pension Plan

Plan Description

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent and Cost-Sharing, Multiple-Employer Defined Benefit Pension Plan

Administering Entity: Virginia Retirement System (System)

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

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

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.

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

- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

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

Retirees are eligible for an annual cost of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; Under Plan 2, the COLA cannot exceed 3.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS website at http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of the 5% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the Commission is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The Commission’s contribution rate for the fiscal year ended June 30, 2013, was 7.94% of annual covered payroll (12.94% - total employee and employer contributions).

Annual Pension Cost

For the fiscal years ended June 30, 2013 and 2012, the Commission's annual pension costs of $261,131 and $312,279, respectively, for VRS were equal to the required and actual contributions.

Three-Year Trend Information for Hampton Roads Planning District Commission

Fiscal Year Ended	Annual Required Contribution (ARC)	Percentage of ARC Cost Contributed	Net Pension Obligation
6/30/11	$ 291,655	100%	$ -
6/30/12	$ 312,279	100%	$ -
6/30/13	$ 261,131	100%	$ -

The FY 2013 required contribution was determined as part of the June 30, 2011, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% per year for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases also include an inflation component of 2.50%. The actuarial value of the Commission's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Commission's unfunded actuarial accrued liability is being amortized as level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

Funding Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 78.63% funded. The actuarial accrued liability for benefits was $14,194,745 and the actuarial value of assets was $11,161,032, resulting in an unfunded actuarial accrued liability (UAAL) of $3,033,714. The covered payroll (annual payroll of active employees covered by the plan) was $3,154,779, and the ratio of the UAAL to the covered payroll was 96.16%.

The schedule of funding progress, presented as required supplemental information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

Schedule of Funding Progress for Hampton Roads Planning District Commission

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/10	$ 11,182,055	$ 13,157,357	$ 1,975,302	84.99%	$ 2,883,251	68.51%
6/30/11	$ 11,287,173	$ 13,457,607	$ 2,170,434	83.87%	$ 3,090,505	70.23%
6/30/12	$ 11,161,032	$ 14,194,745	$ 3,033,714	78.63%	$ 3,154,779	96.16%

The information presented in the Schedules of Employee Contributions and Funding Progress was determined as part of the actuarial valuations at the date indicated. Additional information as of the latest actuarial valuation follows:

1. Valuation date	June 30, 2012
2. Actuarial cost method	Entry Age Normal
3. Amortization method	Level Percent of Pay, Open
4. Payroll growth rate	3.00%
5. Remaining amortization period	29 years
6. Asset valuation method	Five-Year Smoothed Market Value
7. Actuarial assumptions:	
a. Investment rate of return *	7.00%
b. Projected salary increases *	
1) Non – LEO Members	3.75% to 5.60%
2) LEO Members	3.50% to 4.75%
c. Cost-of-living adjustment	
1) Prior Plan Members	2.50%
2) New Plan Members	2.25%

* Includes inflation of 2.5%

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.

6. Leases

The Commission entered into a three-year lease for office space in Hampton commencing March 2005. The lease agreement required monthly payments of $944 through February 28, 2007, with an annual increase of 3% on March 1 of each year through February 28, 2008. This lease was renewed for a period of five years commencing March 2008. The new lease agreement required monthly payments of $1,002 through February 28, 2009, with an annual increase of 3% on March 1 of each year through February 28, 2013. The lease was terminated in February 2013. Total rent expense for 2013 and 2012 was $8,680 and $14,704 respectively.

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 $574,382 and $606,008 for 2013 and 2012, respectively.

8. Net Position

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

	2013	2012
Regional Water (H2O) (337)	$ 546,883	$ 499,662
VRS/VRSLI reserve (39509)	400,000	400,000
Stormwater (338)	399,196	447,551
Regional Wastewater Program (348)	246,057	298,517
Network servers/software reserve (39503)	33,565	30,000
Capital building replacement reserve (39504)	24,685	134,760
Telephone system replacement reserve (39502)	21,000	21,000
Building operations and maintenance reserve (39505)	18,649	14,745
Hampton recovery center reserve (39508)	18,000	18,000
Agency funded (390)	17,706	(61,363)
Debris Management (39601)	10,025	10,025
Interior upgrades reserve (39506)	7,556	4,556
Solid Waste Special Contracts Local (39200)	5,906	17,721
HR WET Info (330)	1,979	12,452
Municipal Construction Std (391)	1,935	5,979
SHRDSB Staff (35600	270	-
DCR Bay Grant (333)	(2,367)	(1,847)
HRLFP Admin (355)	(5,199)	(10,283)
DEQ Contracts (334)	(33,827)	(100,740)
UASI (39127)	(79,083)	(364,970)
UASI FY12 (39141)	(100,357)	-
FRAC FY11 VDEM Funding (39129	(103,565)	-
Metro Medical Response (350)	(139,323)	(234,290)
VDEM FY10 Grant Funding (39134)	(145,218)	-
UASI FY11 (39140)	(166,812)	(70)
Local Government Contracts (336)	(173,539)	(56,299)
Vehicle replacement reserve (39501)	-	15,000
Corps of Engineers Contracts (349)	-	590
VA Institute of Marine Science (342)	-	(660)
ACAMS/VACIPRSP (39135)	-	(8,664)
UASI II (39125)	-	(11,643)
UASI (39126)	-	(118,284)
	$ 804,122	$ 961,445

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, 2013 consisted of 44 active members with total active covered payroll of $3,282,600 and 12 retirees and 10 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 8.8% of covered payroll. For 2013, the Commission contributed $51,967 or approximately 1.6% 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, 2013. 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, 2013 and 2012:

	2013	2012
Annual required contribution	$ 290,300	$ 218,200
Interest on net OPEB obligation	21,836	17,549
Adjustment to the ARC	(23,069)	-
Annual OPEB cost	289,067	235,749
Contributions made	51,967	50,606
Increase in net OPEB obligation	237,100	185,143
Net OPEB obligation, beginning of year	623,874	438,731
Net OPEB obligation, end of year	$ 860,974	$ 623,874

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, 2013 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	$ 289,067	22.52%	$ 51,967
2012	$ 235,749	21.5%	$ 50,606
2011	$ 208,751	23.9%	$ 49,968

(f) Funded Status and Funding Progress

As of June 30, 2013, 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 $3,196,900. The covered payroll (annual payroll of active employees covered by the plan) was $3,282,600, and the ratio of the UAAL to the covered payroll was 97.39 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, 2013 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 – 7.00% graded to 4.80% over 70 years. The investment rate included a 3.00% 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, 2013, 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 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 stormwater permits, TMDL requirements and associated activities. The contract was for a one year period beginning on July 1, 2013 for a total approximate fee of $95,000.

The Commission entered into an agreement with a separate vendor to provide consulting services in developing a long term plan of finance resulting from new proposed legislation. The contract was for a three month period commencing on August 1, 2013 with up to four one year renewal periods upon written agreement. Total amount of this contract was $75,000.

11. Implementation of New GASB Pronouncement

The Commission implemented Governmental Accounting Standards Board (GASB) Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and Statement 65, Items Previously reported as Assets and Liabilities, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, 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.

*** * * * ***

Hampton Roads Planning District Commission

Compliance Section

June 30, 2013

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

Independent Auditors' Report

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, 2013 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 September 18, 2013.

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 our opinions 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.

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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 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
September 18, 2013

DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

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

Independent Auditors' Report

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, 2013. ***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, 2013.

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Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2013-1. Our opinion on each major federal program is not modified with respect to these matters.

Hampton Roads Planning District Commission's response to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. ***Hampton Roads Planning District Commission's*** response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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
September 18, 2013

Hampton Roads Planning District Commission

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

Federal Granting Agency/Recipient State Agency/Grant Program/Grant Number	Federal CFDA Number	Federal Expenditures	
Federal Grants: Cash Programs:			
Major Programs			
Department of Transportation - Highway Planning and Construction Program			
Federal Transit Administration			
Pass-through payments - Virginia Department of Transportation			
PL Federal Aid Urban Systems (FAUS) Program	20.205	$ 1,876,096	
Congestion Mitigation And Air Quality Study (CMAQ)	20.205	250,653	
SP&R Federal Aid Urban Systems (FAUS)	20.205	49,639	
		2,176,388	*
Department of Transportation - Metropolitan Transportation Planning Program			
Federal Transit Administration			
Pass-through payments - Virginia Department of Rail and Public Transit			
Technical Study Grant (includes $313,574 in pass-through expenditures)	20.505	540,901	*
		2,717,289	
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	1,239,969	
Urban Areas Security Initiative	97.067	635,820	
Metropolitan Medical Response System	97.071	1,244,046	
Critical Infrastructure Protection and Resiliency Strategic Plan	97.073	320,203	
		3,440,038	*
Department of Commerce			
National Oceanic and Atmospheric Administration			
Pass Through Payments - Virginia Department of Environmental Quality			
Coastal Resources Management	11.419	175,079	
Environmental Protection Agency - Pass-through payments			
Virginia Chesapeake Bay Implementation Program (BAY-2011-06-PT)	66.466	9,474	
Total Federal Awards		$ 6,341,880	

* 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, 2013

1. Summary of Auditors' Results

Financial Statements

An unqualified 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 programs are the Highway Planning and Construction Program (CFDA 20.205) and the Metropolitan Transportation Planning Program (CFDA 20.505)
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

2013-1 Homeland Security Cluster (CFDA #'s 97.008, 97.067, 97.071, 97.073)

Criteria: The Virginia Department of Emergency Management (VDEM) Administrative Guide states that quarterly financial reports must be received within 15 days after the end of each quarter.

Condition: Quarterly reports for the UASI program were not submitted timely by the entity. This was a finding in the prior year, and is a repeat finding in the current year. This program was not tested as a major program in the current year.

Effect: The entity is not in compliance with reporting requirements.

Questioned costs: None

Cause: One report was tested, as this was not a major program this year. However, based on further inquiry with the client and a report filing list that was provided by the client, a majority of the UASI reports were filed late, and some were not filed at all, but were included in the following quarter's reporting. The MMRS reporting was submitted timely. Auditor inquired if the entity has received communications from VDEM regarding late reporting, and the client stated that VDEM has never contacted them, and does not seem to enforce the reporting deadline.

Recommendation: The entity should be cognizant of all reported deadlines and ensure that reports are submitted on time.

Views of Responsible Officials and Corrective Action Plan: The Regional Emergency Management Administrator will designate a date, two weeks prior to the due date for submission to VDEM, as a drafting and review period for all quarterly reports. The Regional Emergency Management Administrator and CFO will monitor and confirm submission for all quarterly reports due.

Year Ended June 30, 2013

2012-1 Homeland Security Cluster (CFDA #'s 97.008, 97.067, 97.071, 97.073)

Condition: Costs for which reimbursements were requested were not paid prior to the date of the reimbursement request.

Recommendation: The entity should review all reimbursement requests to ensure that payment has been processed prior to submission of the request.

Current Status: The entity implemented a rule not allowing drawdowns for anything that was not paid. In addition, the Virginia Department of Emergency Management (VDEM) implemented an electronic grant management system, and all requests must be accompanied with proof of payment. No similar findings were noted in the 2013 audit.

2012-2 Homeland Security Cluster (CFDA #'s 97.008, 97.067, 97.071, 97.073)

Condition: Eight of the twelve reports tested were not submitted timely by the entity.

Recommendation: The entity should be cognizant of all reported deadlines and ensure that reports are submitted on time.

Current Status: There continued to be late filing of reports by the entity. This was reported as a repeat finding, see finding 2013-1 in the Schedule of Findings and Questioned Costs.

2012-3 Homeland Security Cluster (CFDA #'s 97.008, 97.067, 97.071, 97.073)

Condition: The quarterly financial reports to VDEM did not agree to accounting records in nine of the twelve reports tested, due to timing differences only.

Recommendation: The entity should use proper accounting records when reporting to VDEM.

Current Status: Entity implemented a requirement for quarterly expenditure reports to be included with the quarterly report. No similar findings were noted in the 2013 audit.