Middle Peninsula Juvenile Detention Commission

Basic Financial Statements

June 30, 2015 and 2014

(With Independent Auditors’ Report Thereon)

DIXON HUGHES GOODMAN LLP

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DIXON HUGHES GOODMAN LLP

INDEPENDENT AUDITORS' REPORT

Commission Members
Middle Peninsula Juvenile Detention Commission

We have audited the accompanying basic financial statements of the ***Middle Peninsula Juvenile Detention Commission*** as of and for the years ended June 30, 2015 and 2014, as listed in the table of contents and the related notes to the Financial Statements. These financial statements are the responsibility of the ***Middle Peninsula Juvenile Detention Commission's*** management.

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; and *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audits 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 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.

DIXON HUGHES GOODMAN LLP

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the ***Middle Peninsula Juvenile Detention Commission*** as of June 30, 2015 and 2014, and the changes in net position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards,* we have also issued our report dated October 5, 2015, on our consideration of the ***Middle Peninsula Juvenile Detention 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 ***Middle Peninsula Juvenile Detention Commission's*** internal control over financial reporting and compliance.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 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.

Dixon Hughes Goodman LLP

Newport News, Virginia
October 5, 2015

MIDDLE PENINSULA JUVENILE DETENTION COMMISSION

Management's Discussion and Analysis

June 30, 2015 and 2014

This section of the Middle Peninsula Juvenile Detention Commission's (the Commission) annual financial report presents our discussion and analysis of the Commission's financial performance during the fiscal years ended June 30, 2015 and 2014.

Financial Highlights for Fiscal Year 2015 and 2014

- The Commission had an increase in net position of $26,656 for fiscal year 2015, and a decrease of $148,956 for fiscal year 2014. The increase in 2015 is primarily due to an increase in revenue received from the Commonwealth of Virginia. The decrease in fiscal year 2014 is primarily due to a large decrease in nonmember jurisdiction revenue when the City of Richmond re-opened its juvenile detention facility.

- Net capital assets decreased by $194,815 and $208,060 for fiscal year 2015 and 2014, respectively, primarily due to an increase in accumulated depreciation.

Overview of the Financial Statements

The financial section of this report has two components—Management's Discussion and Analysis (this section) and the basic financial statements. The basic financial statements are comprised of a balance sheet; statement of revenues, expenses and changes in net position; statement of cash flows; and notes to financial statements. The Commission implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, during fiscal year 2003, which established new requirements and a new reporting model for the annual financial reports of state and local governments.

The Commission is accounted for under the economic resources measurement focus and the accrual basis of accounting similar to an enterprise fund. Accordingly, revenues are recognized in the period earned and expenses are recognized when they are incurred. Enterprise funds are used to account for the ongoing activities that are financed and operated similar to those often found in the private sector.

Financial Analysis

The difference between assets and liabilities, net position, is one way to measure financial health or financial position. Over time, increases and decreases in net position are one indicator of whether an entity's financial health is improving or deteriorating. However, one would also need to consider other nonfinancial factors, such as changes in economic conditions, population and service area growth, and new or changed legislation

Balance Sheets

The following table reflects a summary of the balance sheets:

**Table 1
Summary of Balance Sheets
As of June 30, 2015, 2014 and 2013**

		2015	2014	2013
Current assets	$	1,068,120	717,390	689,539
Capital assets, net		3,880,163	4,074,978	4,283,038
Total assets	$	4,948,283	4,792,368	4,972,577
Current liabilities	$	321,706	186,543	194,963
Noncurrent liabilities		59,000	64,904	87,737
Total liabilities		380,706	251,447	282,700
Net position:				
Net investment in capital assets		3,862,259	4,022,241	4,196,732
Unrestricted		705,318	518,680	493,145
Total net position		4,567,577	4,540,921	4,689,877
Total liabilities and net position	$	4,948,283	4,792,368	4,972,577

Net position (assets in excess of liabilities) may serve over time as a useful indicator of a government's financial position. In the case of the Commission, assets exceeded liabilities by $4,567,577 at June 30, 2015. Current assets consist of cash and short-term investments and accounts receivable. Current liabilities consist of accounts payable, accrued benefits, current portion of a note payable, and unearned revenue.

Current assets increased by 48.9% from 2014 to 2015, which was primarily due to the influx of funds from the re-entry program. Capital assets decreased by 4.8% from 2014 to 2015, which was primarily due to an increase in accumulated depreciation.

Total liabilities increased by 51.4% from 2014 to 2015, which was primarily due to unearned revenue received during June 2015 for the Community Placement Program for $103,500. Noncurrent liabilities in 2015 consisted of Other Post-Employment Benefits (OPEB) as of June 30, 2015. The OPEB liability is a result of GASB Statement Number 45, which establishes standards for reporting the liability for non-pension postemployment benefits, in the Commission's case, such liability relates to health care premiums for retirees and the liability associated with allowing retirees to continue to participate in the plan after retirement.

Total assets decreased by 3.6% from 2013 to 2014, which was primarily due to the decrease in nonmember jurisdiction revenue when the City of Richmond re-opened its juvenile detention facility.

Statements of Revenues, Expenses and Changes in Net Position

The following table reflects the condensed statements of revenues, expenses and changes in net position:

**Table 2
Summary of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2015, 2014 and 2013**

	2015	2014	2013
Fees from member jurisdiction	$ 2,215,714	2,072,329	2,069,832
Other operating revenues	1,485,294	1,426,751	1,729,408
Total operating revenues	3,701,008	3,499,080	3,799,240
Salaries and wages	2,080,325	2,068,019	2,160,777
Other expenses	1,379,146	1,364,498	1,341,532
Total operating expenses before depreciation	3,459,471	3,432,517	3,502,309
Operating income before depreciation	241,537	66,563	296,931
Depreciation	212,338	216,801	211,510
Operating income (loss)	29,199	(150,238)	85,421
Net nonoperating revenues (expenses)	(2,543)	1,282	(287)
Changes in net position	26,656	(148,956)	85,134
Net position, beginning of year	4,540,921	4,689,877	4,604,743
Net position, end of year	$ 4,567,577	4,540,921	4,689,877

Total net position increased by $26,656 for the fiscal year ended June 30, 2015. The primary source of revenue the Commission receives is fees from member jurisdictions for which they serve, which equaled $2,215,714 in fiscal year 2015. Fees collected from member jurisdictions increased by 6.9% from 2014 to 2015, which was primarily due to a $10 increase in daily per diems. Included in other operating revenues are monies from the Commonwealth of Virginia that totaled $1,394,256 during 2015 (net of amount returned to the state of $39,105 as part of repayment), as well as federal grant awards in the amount of $64,752 during 2015.

Salaries and wages account for 60.1% of the Commission's total operating expenses (excluding depreciation), during 2015 while employee benefits, supplies, professional services, and utilities make up the majority of other expenses. Net nonoperating revenues (expenses) are comprised of the interest earned on the Commission's short-term investments, interest expense for the note payable, and gain or loss on disposal of capital assets. From 2014 to 2015, net nonoperating expenses increased by $3,825.

This increase resulted primarily from a loss on disposal of capital assets and a decrease in interest expense.

Total net position decreased by $148,956 for the fiscal year ended June 30, 2014, which was primarily due to a $381,506 decrease in revenue from nonmember jurisdictions. The Richmond Juvenile Detention Center reopened during fiscal year 2014, and the Commission is no longer housing their juveniles. The primary source of revenue the Commission receives is fees from member jurisdictions for which they serve, which equaled $2,072,329 in fiscal year 2014. Fees collected from member jurisdictions increased by 0.12% from 2013 to 2014, which was primarily due to an extra locality billing for fiscal year 2014. The extra billing during fiscal year 2014 was primarily due to an overall drop in ADP of housed juveniles and the need to maintain cash flow during this revenue shortfall. Included in other operating revenues are monies from the Commonwealth of Virginia that totaled $1,310,696, as well as federal grant awards in the amount of $70,976 during 2014.

Salaries and wages account for 60.2% of the Commission's total operating expenses (excluding depreciation), during 2014 while employee benefits, supplies, professional services, and utilities make up the majority of other expenses. Net nonoperating revenues (expenses) are comprised of the interest earned on the Commission's short-term investments, interest expense for the note payable, and gain on disposal of capital assets. From 2013 to 2014, the net nonoperating revenues (expenses) increased by $1,569, which resulted primarily from payment of interest expense on the note payable.

Capital Assets

At the end of fiscal years 2015 and 2014, the Commission's net capital assets totaled $3,880,163 and $4,074,978, respectively. Included in those assets are land, building, machinery and equipment, and improvements other than building. The decrease during 2015 is primarily due to an increase in accumulated depreciation.

Debt Administration

The Commission executed a $165,000 promissory note with Lancaster County during fiscal year 2011. The proceeds from the note were used to upgrade the current security system. The Commission is required to pay $3,016 per month until December 2015. As of June 30, 2015 and 2014, the Commission owed $17,904 and $52,737 respectively, on this note.

Contacting the Commission's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors 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 the James City County Department of Financial and Management Services, 101-F Mounts Bay Road, P.O. Box 8784, Williamsburg, Virginia 23187-8784.

MIDDLE PENINSULA JUVENILE
DETENTION COMMISSION

Balance Sheets

June 30, 2015 and 2014

		2015	2014
Assets			
Current assets			
Cash and short-term investments (note 2)	$	940,631	327,972
Due from James City County		345	-
Accounts receivable		127,144	389,418
Total current assets		1,068,120	717,390
Capital assets (note 3)			
Land		118,354	118,354
Building		6,169,996	6,169,996
Machinery and equipment		615,200	616,419
Improvements other than building		128,684	117,107
Total capital assets		7,032,234	7,021,876
Less accumulated depreciation		3,152,071	2,946,898
Net capital assets		3,880,163	4,074,978
Total assets	$	4,948,283	4,792,368
Liabilities and Net Position			
Current liabilities			
Accounts payable	$	20,536	13,563
Accrued benefits		113,131	88,082
Current portion of note payable		17,904	34,833
Unearned revenue		170,135	50,065
Total current liabilities		321,706	186,543
Noncurrent liabilities			
Note payable, net of current portion (note 4)		-	17,904
OPEB liability (note 7)		59,000	47,000
Total noncurrent liabilities		59,000	64,904
Total liabilities		380,706	251,447
Net position			
Invested in capital assets, net of related debt		3,862,259	4,022,241
Unrestricted		705,318	518,680
Total net position		4,567,577	4,540,921
Total liabilities and net position	$	4,948,283	4,792,368

See accompanying notes to financial statements.

**MIDDLE PENINSULA JUVENILE
DETENTION COMMISSION**

Statements of Revenues, Expenses and Changes in Net Position

Years ended June 30, 2015 and 2014

		2015	2014
Operating revenues			
Fees from member jurisdictions	$	2,215,714	2,072,329
Commonwealth of Virginia		1,394,256	1,310,696
Federal grants		64,752	70,976
Fees from nonmember jurisdictions		-	9,132
Other		26,286	35,947
Total operating revenues		3,701,008	3,499,080
Operating expenses			
Salaries and wages		2,080,325	2,068,019
Employee benefits		897,743	884,068
Professional services (note 5)		116,246	130,675
Utilities		108,823	114,313
Supplies		174,983	153,572
Grants		-	6,314
Miscellaneous		41,403	56,366
Minor equipment purchases		10,993	1,362
Insurance		14,907	14,391
Purchase of bedspace		9,500	-
Training		4,548	3,437
Total operating expenses before depreciation		3,459,471	3,432,517
Operating income before depreciation		241,537	66,563
Depreciation		212,338	216,801
Operating gain (loss)		29,199	(150,238)
Nonoperating revenues (expenses)			
Gain (loss) on disposal of capital assets		(1,467)	3,646
Interest expense		(1,365)	(2,628)
Interest revenue		289	264
Net nonoperating revenue (expenses)		(2,543)	1,282
Change in net position		26,656	(148,956)
Net position at beginning of year		4,540,921	4,689,877
Net position at end of year	$	4,567,577	4,540,921

See accompanying notes to financial statements.

MIDDLE PENINSULA JUVENILE DETENTION COMMISSION

Statements of Cash Flows

Years ended June 30, 2015 and 2014

		2015	2014
Cash flows provided (used) by operating activities -			
Cash received from customers	$	4,083,008	3,283,145
Cash payments to suppliers for goods and services		(474,431)	(499,012)
Cash payments for personnel services		(2,941,019)	(2,949,278)
Net cash provided (used) by operating activities		667,558	(165,145)
Cash flows provided (used) by capital and related financing activities -			
Proceeds from sale of capital assets		-	3,646
Principal payments on note payable		(34,833)	(33,569)
Interest paid on note payable		(1,365)	(2,628)
Loss (gain) on disposal capital asset		705	-
Acquisition and construction of capital assets		(19,695)	(8,741)
Net cash used in capital and related financing activities		(55,188)	(41,292)
Cash flows provided by investment activities - interest received		289	264
Increase (decrease) in cash and short-term investments		612,659	(206,173)
Cash and short-term investments at beginning of year		327,972	534,145
Cash and short-term investments at end of year	$	940,631	327,972

		2015	2014
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating gain (loss)	$	29,199	(150,238)
Adjustments to reconcile operating income to cash provided by operating activities:			
Depreciation expense		212,338	216,801
Changes in operating assets and liabilities:			
Accounts receivable		262,274	(234,024)
Due from James City County		(345)	
Accounts payable		6,973	(16,852)
Accrued benefits		25,049	(9,191)
Unearned revenue		120,070	18,089
OPEB liability		12,000	12,000
Due to James City County		-	(1,730)
Total adjustments		638,359	(14,907)
Net cash provided (used) by operating activities	$	667,558	(165,145)

See accompanying notes to financial statements.

(1) Organization and Summary of Significant Accounting Policies

The Middle Peninsula Juvenile Detention Commission (Commission) was created as a political subdivision of the Commonwealth of Virginia by resolutions adopted in 1993. Member jurisdictions are as follows: Caroline County, Charles City County, Essex County, Gloucester County, Hanover County, James City County, King and Queen County, King William County, Lancaster County, Mathews County, Middlesex County, New Kent County, Northumberland County, City of Poquoson, Richmond County, Westmoreland County, City of Williamsburg, and York County.

The general purpose of the Commission is to maintain and operate a detention center facility for youths. A 32-bed facility was completed and placed into operation in December 1997. An additional 16-bed facility was placed into operation in July 1998.

The Commission is a legally separate organization, and the member jurisdictions cannot impose their will on the Commission. There is no potential financial benefit or burden in the relationship. Accordingly, the Commission is not considered a component unit of any other entity. James City County (County) is the fiscal agent for the Commission.

Basis of Accounting and Presentation

The Commission utilizes the economic resources measurement focus and the accrual basis of accounting similar to an enterprise fund. Accordingly, revenues are recognized in the period earned and expenses are recognized when they are incurred. Enterprise funds are used to account for activities that are financed and operated similar to those often found in the private sector. Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from the Commission’s ongoing operations. Operating revenues include fees from member and nonmember jurisdictions, and intergovernmental revenues. Operating expenses include salaries and wages, employee benefits, and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Effective June 30, 2014, the Commission adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). This statement amends prior reporting requirements by (i) reclassifying certain items previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources and (ii) recognizing certain items previously reported as assets and liabilities as expenses or revenues based on the definitions of those elements in GASB Concepts Statement No. 4, *Elements of Financial Statements.* This statement also limits the use of the term deferred in financial statement presentations. The Commission replaced the term *deferred revenue* with *unearned revenue* in its balance sheet for the fiscal year ended June 30, 2013 with the adoption of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. In addition, the Commission does not have to reclassify or amend its recognition of elements in its financial statements for the fiscal year ended June 30, 2014 based on the adoption of GASB 65. As a result, GASB 65 has no effect on the Commission's financial statements for the fiscal year ended June 30, 2014.

Effective with the financial statements for the fiscal year ended June 30, 2015, the Commission has adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* (GASB 68). This statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures,* as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. Note disclosure and required supplementary information requirements about pensions are also addressed. This statement details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. In addition, the Commission does not pay any pensions, which is taken care of by the County. As a result, GASB 68 has no effect on the Commission's financial statements for the fiscal year ended June 30, 2015.

(a) Capital Assets

The Commission's policy is to capitalize capital assets with a cost or donated basis of one thousand dollars ($1,000) or greater. Capital outlays are capitalized at historical cost and contributed capital assets are recorded as capital assets at the estimated fair value at the time received. The costs of major improvements are capitalized while the cost of maintenance and repairs, which do not improve or extend the life of an asset, are expensed. The Commission provides for depreciation of capital assets using the straight-line method at amounts estimated to amortize the cost or basis of the assets over their estimated useful lives. Useful lives for the Commission's depreciable assets are as follows:

Building	40 years
Improvements other than building	30 years
Machinery and equipment	3 - 10 years

When capital assets are sold or retired, the related asset and accumulated depreciation are removed from the accounts and any gain or loss is included in nonoperating revenues (expenses).

(b) Fees Revenue

Fees from member jurisdictions consist of charges billed for the per diem cost of bed space per youth. The per diem cost is calculated by dividing the total local cost, as defined, for the year by the estimated number of youth care days in that year. The total local cost is calculated by estimating the total cost included in the operating budget less estimated revenues from other sources. Accounts receivable reflected in the accompanying balance sheets are primarily comprised of such fees billed to member jurisdictions and management believes they are fully collectible. Therefore, no provision for doubtful accounts has been recorded.

A contractual agreememt was entered into between the Commission and the Virginia Department of Juvenile Justice. The agreement started in fiscal year 2012 and is renewable every four years. The purpose of the agreement is to provide detention re-entry placement for juvenile offenders.

(c) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates and assumptions also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

(d) Subsequent Events

In preparing these financial statements, the Commission has evaluated events and transactions for potential recognition or disclosure through October 5, 2015, the date the financials were available to be issued.

(2) Cash and Short-Term Investments

(a) Cash

The carrying values of the Commission's deposits with banks were $682,524 and $70,154 at June 30, 2015 and 2014, respectively. The bank balances of $688,076 and $71,367 at June 30, 2015 and 2014, respectively, which may differ from the carrying value of deposits due primarily to outstanding checks and deposits in transit, were fully covered by the Federal Deposit Insurance Corporation (FDIC) or collateralized in accordance with the Virginia Security for Public Deposits Act (Act). Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of the 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. If any member financial institution fails, the entire collateral becomes available to satisfy 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) of the pool. Therefore, these deposits are considered collateralized and, as a result, are considered insured. 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.

(b) Investment Policy

The Commission utilizes the policies and procedures of the James City County Treasurer; therefore, the Investment Policy (Policy) of the County is used. In accordance with the Code of Virginia and other applicable law, including regulations, the Commission's Policy permits investments in U.S. government obligations, municipal obligations, commercial paper, and certain corporate notes, bankers acceptances, repurchase agreements, negotiable certificates of deposit, bank deposit notes, mutual funds, and the State Treasurer's Local Government Investment Pool (the Virginia LGIP, a 2a-7 like pool).

The Policy establishes limitations on the holdings of non-U.S. government obligations. The maximum percentage of the portfolio (book value at the date of acquisition) permitted in each security is as follows:

Registered money market mutual funds	100% maximum
Commonwealth of Virginia LGIP	100% maximum
Repurchase agreements	50% maximum
Bankers' acceptances	40% maximum
Commercial paper	35% maximum
Negotiable certificates of deposit/bank notes	20% maximum
Municipal obligations	20% maximum
Corporate notes	15% maximum
Bank deposits	100% maximum

(c) Credit Risk

As required by state statute, the Policy requires that commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following: Moody's Investors Service, Standard & Poor's, Fitch Investor's Service, and Duff and Phelps. Corporate notes must have a minimum of "Aa" long-term debt rating by Moody's Investors Service and a minimum of "AA" long-term debt rating by Standard & Poor's. Negotiable certificates of deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investors Service. Notes having a maturity of greater than one year must be rated "AA" by Standard & Poor's and "Aa" by Moody's Investors Service.

Although state statute does not impose credit standards on repurchase agreement, bankers' acceptances or money market mutual funds, the Commission has established credit standards for these investments to minimize portfolio risk.

As of June 30, 2015 and 2014, 100% of the Commission's portfolio was invested in the Commonwealth of Virginia LGIP account and is classified as short-term investments on the balance sheet.

(d) 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 single issuer with following exceptions:

U.S. Treasury	100% maximum
Commonwealth of Virginia LGIP	100% maximum
Bank Deposits	100% maximum
Each money market mutual fund	50% maximum
Each federal agency	35% maximum
Each repurchase agreement counterparty	25% maximum

As noted above, as of June 30, 2015 and 2014, 100% of the Commission's portfolio was invested in the Commonwealth of Virginia LGIP account.

(e) Interest Rate Risk

As a means of limiting exposure to fair value losses arising from rising interest rates, the Commission's Policy limits the investment of short-term operating funds to an average weighted maturity of no more than 180 days, with a portion of the portfolio continuously invested in readily available funds. The operating fund core portfolio will be invested in permitted investments with a stated maturity of no more than five years from the date of purchase. To control the volatility of the core portfolio, the Treasurer will determine a duration target, not to exceed three years.

As of June 30, 2015 and 2014, the fair values and maturities of the Commission's investments were as follows:

Investment Type	Fair Value	Maturity
2015 – Commonwealth of Virginia LGIP	$ 258,107	1 day
2014 – Commonwealth of Virginia LGIP	$ 257,818	1 day

(f) Custodial Credit Risk

The Policy requires that all investment securities purchased by the Commission or held as collateral on deposits or investments shall be held by the Commission or by a third-party custodial agent who may not otherwise be counterparty to the investment transaction. As of June 30, 2015 and 2014, all of the Commission's investments are held in a bank's trust department in the Commission's name.

(3) Capital Assets

The following is a summary of the capital assets activity for the years ended June 30, 2015 and 2014:

	Balances at July 1, 2014	Additions	Reductions	Balances at June 30, 2015
Capital assets not being depreciated - land	$ 118,354	-	-	118,354
Capital assets being depreciated:				
Building	6,169,996	-	-	6,169,996
Machinery and equipment	616,419	8,118	9,337	615,200
Improvements other than building	117,107	11,577	-	128,684
Total capital assets being depreciated	6,903,522	19,695	9,337	6,913,880
Less accumulated depreciation for:				
Buildings	2,532,745	154,250	-	2,686,995
Machinery and equipment	371,705	53,946	7,165	418,486
Improvements other than building	42,448	4,142	-	46,590
Total accumulated depreciation	2,946,898	212,338	7,165	3,152,071
Total capital assets being depreciated, net	3,956,624	(192,643)	2,172	3,761,809
Net capital assets	$ 4,074,978	(192,643)	2,172	3,880,163

	Balances at July 1, 2013	Additions	Reductions	Balances at June 30, 2014
Capital assets not being depreciated - land	$ 118,354	-	-	118,354
Capital assets being depreciated:				
Building	6,169,996	-	-	6,169,996
Machinery and equipment	642,788	8,741	35,110	616,419
Improvements other than building	117,107	-	-	117,107
Total capital assets being depreciated	6,929,891	8,741	35,110	6,903,522
Less accumulated depreciation for:				
Buildings	2,378,495	154,250	-	2,532,745
Machinery and equipment	348,213	58,602	35,110	371,705
Improvements other than building	38,499	3,949	-	42,448
Total accumulated depreciation	2,765,207	216,801	35,110	2,946,898
Total capital assets being depreciated, net	4,164,684	(208,060)	-	3,956,624
Net capital assets	$ 4,283,038	(208,060)	-	4,074,978

(4) Note Payable

On December 15, 2010, the Commission executed a promissory note with Lancaster County, which was used to upgrade the existing security system. The promissory note was issued for $165,000 at 3.70% interest. The Commission is required to pay $3,016 per month until December 2015.

The following is a summary of the note payable activity for the year ended June 30, 2015 and 2014:

	Amount payable at July 1, 2014	Additions	Reductions	Amount payable at June 30, 2015	Amount due within one year
$	52,737	—	34,833	17,904	17,904

	Amount payable at July 1, 2013	Additions	Reductions	Amount payable at June 30, 2014	Amount due within one year
$	86,306	—	33,569	52,737	34,833

The annual requirements to repay the promissory note and related interest are as follows:

	Principal	Interest
Fiscal Year ending June 30:		
2016	$ 17,904	$ 194

(5) Transactions with Related Parties

Certain financial management and accounting services are provided to the Commission by the County. The charges for these services amounted to $29,000 during the years ended June 30, 2015 and 2014 respectively, and are included in professional services in the accompanying statements of revenues, expenses and changes in net position.

The County owes $345 to the Commission at June 30, 2015, as a result of a payroll adjustment.

(6) Pension Plan

Employees of the Commission participate in the Virginia Retirement System (VRS) through the County. Therefore, employees of the Commission are not a separate cost pool of VRS and no separate actuarial information is available with regard to the Commission's participation in VRS. Detailed disclosures regarding the County's participation in VRS and related actuarial information can be found in the County's annual financial statements.

(7) Postretirement Benefits Other Than Pensions

The Commission adopted 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 the Commission's nonpension postemployment benefit, the health care plan for retirees.

(a) Plan Provisions

In addition to providing the pension benefits described in footnote 6, the Commission provides postemployment health care (OPEB) for qualifying retired employees who are not yet eligible for Medicare through a single-employer defined benefit plan. The benefits, benefit levels, employee contributions and employer contributions are governed by the Commission and can be amended by the Commission through its personnel manual.

(b) Funding Policy

The Commission does not intend to establish a trust to prefund this liability. The anticipated growth in the net OPEB obligation is based on contributions to the benefit plan on a pay-as-you-go cost basis. The data has been projected into the future based on the assumption the current active population remains constant. Also, the estimated contributions are based on the implicit rate subsidy payments made during the year by the retirees.

(c) Plan Description

Currently, covered full-time active employees who retire directly from the Commission and are at least 50 years of age with 15 years of service are eligible to receive postretirement health care benefits. Each year, retirees participating in the Commission's sponsored plans will be given the opportunity to change plans or drop coverage during an open enrollment period. The pre-Medicare retirees have a choice of three plans: Optima, Healthkeepers and KeyCare. The majority of the participants are in Healthkeepers. Dental plans are available at the retiree's cost, and therefore, have no GASB 45 liability. There is no coverage for post-Medicare retirees. There were 40 active employee participants at the time of the actuarial study. Since the retirees contribute towards their health insurance premiums based on a blended rate, the Commission has an implicit liability.

(d) Annual OPEB Costs and Net OPEB Obligation

The net OPEB obligation as of June 30, 2015 was calculated as follows:

Annual required contribution	$	12,000
Interest on net OPEB obligation		-
Actuarial adjustment		-
Annual OPEB cost		12,000
Contributions made		-
Increase in net OPEB obligation		12,000
Net OPEB obligation, beginning of year		47,000
Net OPEB obligation, end of year	$	59,000

(e) Actuarial Methods and Assumptions

Valuation Methods

The projected unit credit actuarial cost method was used to calculate all of the expense amounts and the funded status of the plan. The calculations were performed in accordance with the methodologies set forth in GASB Statement No. 45. Under these methods, benefits provided by the substantive plan (the plan as understood by the Commission and the plan members) at the time of the actuarial study are projected and their present value is determined. The present value is divided into equal parts which are earned over the period from date of hire to the full eligibility date.

Employees Included in the Calculations

All active employees who are expected to meet the plan's eligibility requirements on or before the ultimate assumed retirement age are included in the calculations. Retirees, spouses and spouse survivors who are entitled to a benefit under the provisions of the plan are also included.

Actuarial Assumptions

In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included calculations based on a discount rate of 4% for the unfunded liability and amortization of the initial unfunded actuarial liability over 24 years based on a level percent of payroll method. The actuarial accrued liability was $89,000. Future increases for medical benefits are assumed to range from an initial rate of 7% and gradually decrease to 5.0% by 2050. It should be noted actuarial calculations reflect a long-term perspective and, therefore, actuarially determined amounts are subject to revision as results are compared to past expectations and new estimates are made about the future.

Compliance Section

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
Middle Peninsula Juvenile Detention Commission

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of ***Middle Peninsula Juvenile Detention Commission*** as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise ***Middle Peninsula Juvenile Detention Commission's*** basic financial statements, and have issued our report thereon dated October 5, 2015.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered ***Middle Peninsula Juvenile Detention 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 ***Middle Peninsula Juvenile Detention Commission's*** internal control. Accordingly, we do not express an opinion on the effectiveness of ***Middle Peninsula Juvenile Detention 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 that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

DIXON HUGHES GOODMAN LLP

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ***Middle Peninsula Juvenile Detention 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 that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.

Dixon Hughes Goodman LLP

Newport News, Virginia
October 5, 2015