Middle Peninsula Juvenile Detention Commission

Basic Financial Statements
(With Independent Auditors' Report Thereon)

June 30, 2016 and 2015

DHG
DIXON HUGHES GOODMAN LLP

Middle Peninsula Juvenile Detention Commission

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Independent Auditors' Report

Commission Members
Middle Peninsula Juvenile Detention Commission
Williamsburg, Virginia

We have audited the accompanying basic financial statements of the Middle Peninsula Juvenile Detention Commission as of and for the years ended June 30, 2016 and 2015, as listed in the table of contents. 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, 2016 and 2015, 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.

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated October 25, 2016, 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.

Dixon Hughes Goodman LLP

Newport News, Virginia
October 25, 2016

Middle Peninsula Juvenile Detention Commission

Management's Discussion and Analysis
June 30, 2016 and 2015

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, 2016 and 2015.

Financial Highlights

The Commission had a decrease of $90,260 and an increase of $26,656 in net position for fiscal years 2016 and 2015, respectively. The decrease in fiscal year 2016 is primarily attributable to higher personnel costs, due to the hiring of 12 additional employees. The increase in 2015 was primarily due to higher revenue received from the Commonwealth of Virginia.

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 the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, Statements of Cash Flows, and Notes to the Financial Statements. The Statement of Net Position presents information on the Authority's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between these two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. However, it is also important to consider other nonfinancial factors, such as changes in economic conditions, population and service area growth, and new or changed legislation. The Statement of Revenues, Expenses and Changes in Net Position presents information showing how net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. Notes to the financial statements are an integral part of the statements and should be read in conjunction with the financial statements and the Management's Discussion and Analysis.

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

Summary of Statement of Net Position

	6/30/2016	6/30/2015	6/30/2014
Current assets	$ 1,537,366	$ 1,068,120	$ 717,390
Capital assets, net of accumulated depreciation	3,729,092	3,880,163	4,074,978
Total assets	$ 5,266,458	$ 4,948,283	$ 4,792,368
Current liabilities	$ 716,141	$ 321,706	$ 186,543
Noncurrent liabilities	73,000	59,000	64,904
Total liabilities	789,141	380,706	251,447
Net investment in capital assets	3,729,092	3,862,259	4,022,241
Unrestricted	748,225	705,318	518,680
Total net position	4,477,317	4,567,577	4,540,921
Total liabilities and net position	$ 5,266,458	$ 4,948,283	$ 4,792,368

Total assets increased by 6.4% and 3.3% in fiscal years 2016 and 2015, respectively, primarily due to an influx of funds from the Department of Corrections for the re-entry program. This program provides transitioning services such as life skills workshops and assistance with housing and employment to select offenders.

Total liabilities increased by 107.3% and 51.4% in fiscal years 2016 and 2015, respectively, which was primarily due to unearned revenue for payments received from the Department of Juvenile Justice for next year's services. Another contributing factor was the Other Post-Employment Benefits (OPEB) liability, which relates to health care premiums for retirees and the cost associated with allowing retirees to continue to participate in the plan after retirement.

At June 30, 2016 and 2015, assets exceeded liabilities by $4,477,317 and $4,567,577 respectively.

Summary of Statement of Revenues, Expenses and Changes in Net Position for the Year Ended

	6/30/2016	6/30/2015	6/30/2014
Fees from member jurisdictions	$ 1,993,893	$ 2,215,714	$ 2,072,329
Other operating revenues	2,018,556	1,485,294	1,426,751
Total operating revenues	4,012,449	3,701,008	3,499,080
Salaries, wages and benefits	3,199,729	2,978,068	2,952,087
Other expenses	903,032	693,741	697,231
Total operating expenses	4,102,761	3,671,809	3,649,318
Operating income (loss)	(90,312)	29,199	(150,238)
Net nonoperating revenues (expenses)	52	(2,543)	1,282
Change in net position	(90,260)	26,656	(148,956)
Net position, beginning of year	4,567,577	4,540,921	4,689,877
Net position, end of year	$ 4,477,317	$ 4,567,577	$ 4,540,921

The primary source of revenue for the Commission consist of fees from the member jurisdictions for which they serve. For fiscal years 2016 and 2015, these fees decreased by 10.0% and increased by 6.9%, respectively. The number of days of usage was down from 11,899 days in 2015 to 10,007 in 2016, which was the primary driver behind the decrease in member jurisdiction fees in 2016.

Other operating revenues consist primarily of monies from the state and federal governments and increased by 35.9% from 2015, due to additional funds received from the state for a cost of living adjustment, a new state ward assessment program and for higher usage in the community placement program. Although the Commission received less re-entry juveniles, the Commission experienced an increase in the number of juveniles for the community placement program.

Salaries, wages and benefits accounted for 78.0% and 81.1% of the Commission's total operating expenses in fiscal years 2016 and 2015, respectively. Personnel costs increased by 7.4% in 2016 and was attributable to several factors, including a 4% raise as well as a market adjustment provided to employees, 4 counselor promotions to be in compliance with the Prison Rape Elimination Act, the hiring of a registered nurse due to regulatory requirements and overtime attributable to employees on leave and a high degree of turnover during the year.

Other expenses increased by $209,291 from 2015 due to a new maintenance agreement on the security system; temporary services for cooks, custodial and administrative services; counseling services; roof repairs; and additional bedspace for juveniles needing placement at another facility for safety purposes.

For 2016, net nonoperating revenues (expenses) consisted of interest earned on the Commission's investments, interest expense for the note payable and a loss on the disposal of capital assets.

Total net position decreased by $90,260 and increased by $26,656 for the fiscal years ended June 30, 2016 and 2015, respectively, mainly due to the reasons enumerated above.

Capital Assets

	6/30/2016	6/30/2015	6/30/2014
Nondepreciable	$ 118,354	$ 118,354	$ 118,354
Depreciable	6,970,327	6,913,880	6,903,522
Less accummulated depreciation	3,359,589	3,152,071	2,946,898
Capital assets, net	$ 3,729,092	$ 3,880,163	$ 4,074,978

During fiscal year 2016, the Commission purchased a water heater, a van and security cameras, which collectively comprise the increase in depreciable capital assets from 2015. During 2015, the net increase in depreciable capital assets consisted of the Commission's purchases of a fence, a firewall and a server and the disposal of a refrigerator and computers. Additional information can be found in Note 3 to the basic financial statements.

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 security system. The note was paid off in fiscal year 2016. Additional information can be found in Note 4 to the basic financial statements.

Request for Financial Information

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.

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Middle Peninsula Juvenile Detention Commission

Statements of Net Position

June 30, 2016 and 2015

	2016	2015
Assets		
Current assets		
Cash and short-term investments (Note 2)	$ 1,425,305	$ 940,631
Due from James City County	-	345
Accounts receivable	112,061	127,144
Total current assets	1,537,366	1,068,120
Capital assets (Note 3)		
Nondepreciable	118,354	118,354
Depreciable	6,970,327	6,913,880
Less accumulated depreciation	3,359,589	3,152,071
Capital assets, net	3,729,092	3,880,163
Total assets	$ 5,266,458	$ 4,948,283
Liabilities and Net Position		
Current liabilities		
Accounts payable	$ 19,508	$ 20,536
Accrued payroll and benefits	148,512	113,131
Note payable (Note 4)	-	17,904
Unearned revenue	548,121	170,135
Total current liabilities	716,141	321,706
Noncurrent liabilities		
Other post-employment benefits (Note 7)	73,000	59,000
Total liabilities	789,141	380,706
Net position		
Net investment in capital assets	3,729,092	3,862,259
Unrestricted	748,225	705,318
Total net position	4,477,317	4,567,577
Total liabilities and net position	$ 5,266,458	$ 4,948,283

See accompanying notes to financial statements.

Middle Peninsula Juvenile Detention Commission

Statements of Revenues, Expenses and Changes in Net Position

Years ended June 30, 2016 and 2015

	2016	2015
Operating revenues		
Fees from member jurisdictions	$ 1,993,893	$ 2,215,714
Commonwealth of Virginia	1,926,404	1,394,256
Federal government	63,643	64,752
Fees from nonmember jurisdictions	8,955	-
Other	19,554	26,286
Total operating revenues	4,012,449	3,701,008
Operating expenses		
Salaries and wages	2,284,908	2,080,325
Employee benefits	914,821	897,743
Professional services (Note 5)	235,017	116,246
Depreciation	207,846	212,338
Supplies	185,329	174,983
Utilities	105,524	108,823
Purchase of bedspace	57,300	9,500
Capital improvements	36,627	-
Miscellaneous	44,388	41,403
Insurance	14,221	14,907
Minor furniture and equipment	8,234	10,993
Training	8,546	4,548
Total operating expenses	4,102,761	3,671,809
Operating income (loss)	(90,312)	29,199
Nonoperating revenues (expenses)		
Loss on disposal of capital assets	(735)	(1,467)
Interest expense	(194)	(1,365)
Interest revenue	981	289
Net nonoperating revenue (expenses)	52	(2,543)
Change in net position	(90,260)	26,656
Net position, beginning of year	4,567,577	4,540,921
Net position, end of year	$ 4,477,317	$ 4,567,577

See accompanying notes to financial statements.

Middle Peninsula Juvenile Detention Commission

Statements of Cash Flows

Years ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Cash received from customers	$ 4,405,863	$ 4,083,008
Cash payments to suppliers for goods and services	(696,214)	(474,431)
Cash payments for personnel services	(3,150,348)	(2,941,019)
Net cash provided by operating activities	559,301	667,558
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(57,510)	(19,695)
Loss on disposal capital asset	-	705
Principal payments on note payable	(17,904)	(34,833)
Interest paid on note payable	(194)	(1,365)
Net cash used for capital and related financing activities	(75,608)	(55,188)
Cash flows from investment activities:		
Interest received	981	289
Increase in cash and short-term investments	484,674	612,659
Cash and short-term investments, beginning of year	940,631	327,972
Cash and short-term investments, end of year	$ 1,425,305	$ 940,631

	2016	2015
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	$ (90,312)	$ 29,199
Adjustments to reconcile operating income (loss) to cash provided by operating activities:		
Depreciation	207,846	212,338
Changes in operating assets and liabilities:		
Due from James City County	345	(345)
Accounts receivable	15,083	262,274
Accounts payable	(1,028)	6,973
Accrued payroll and benefits	35,381	25,049
Unearned revenue	377,986	120,070
Other post-employment benefits	14,000	12,000
Total adjustments	$ 649,613	$ 638,359
Net cash provided by operating activities	$ 559,301	$ 667,558

See accompanying notes to financial statements.

1) 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.

Reporting Entity

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.

Cash Equivalents

For purposes of the Statement of Cash Flows, cash equivalents are defined as short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash and (b) so near maturity that they present insignificant risk of changes in value because of changes in interest rates. The Commission considers all certificates of deposits, regardless of their maturity, and other investments with original maturities of three months or less to be cash equivalents.

Capital Assets

The Commission's policy is to capitalize capital assets with a historical cost or acquisition value at time of donation of one thousand dollars ($1,000) or greater. 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).

1) Summary of Significant Accounting Policies, Continued

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 statement of net position is 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 agreement 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.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates and assumptions.

Adoption of New Accounting Statement

Effective with the financial statements for the fiscal year ended June 30, 2016, the Commission has adopted GASB Statement No. 72, *Fair Value Measurement and Application.* This statement requires the use of valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach, or an income approach.

The statement establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security. Statement No. 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that was used for the fair value measurements.

2) Cash and Short-Term Investments

The Commission's cash and short-term investments consisted of:

	6/30/2016	6/30/2015
Bank deposits	$ 1,024,749	$ 682,524
Investments	400,556	258,107
	$ 1,425,305	$ 940,631

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) or collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the *Code of Virginia*. The Commission's investments were as follows:

	6/30/2016		6/30/2015	
Investment Type	Amount	Maturity	Amount	Maturity
LGIP (amortized cost)	$ 400,556	1 day	$ 258,107	1 day

2) Cash and Short-Term Investments, Continued

The Commission utilizes the Investment Policy (Policy) of the James City County Treasurer. 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). LGIP is managed in accordance with the "2a-7 like pool" risk limiting requirements of GAAP with the portfolio securities valued by the amortized cost method. The fair value of the Commission's position in the LGIP is the same as the value of the pool shares. The Treasury Board of the Commonwealth of Virginia has regulatory oversight of the LGIP.

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
Bank deposits	100% maximum
Repurchased 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

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, 2016 and 2015, the Commission's investment in LGIP was rated AAAm by Standard & Poor's.

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
Each bank deposit institution	100% maximum
Each money market mutual fund	50% maximum
Each federal agency	35% maximum
Each repurchase agreement counterparty	25% maximum

As of June 30, 2016 and 2015, 100% of the Commission's portfolio was invested in the Commonwealth of Virginia LGIP.

2) Cash and Short-Term Investments, Continued

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.

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, 2016 and 2015, 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, 2016 and 2015:

	Balance at July 1, 2015	Additions	Reductions	Balance at June 30, 2016
Capital assets not being depreciated:				
Land and land improvements	$ 118,354	$ -	$ -	$ 118,354
Capital assets being depreciated:				
Building	6,169,996	10,165	-	6,180,161
Machinery and equipment	615,200	47,345	(1,063)	661,482
Improvements other than building	128,684	-	-	128,684
Total capital assets being depreciated	6,913,880	57,510	(1,063)	$ 6,970,327
Less accumulated depreciation for:				
Building	2,686,995	154,292	-	2,841,287
Machinery and equipment	418,486	49,024	(328)	467,182
Improvements other than building	46,590	4,530	-	51,120
Total accumulated depreciation	3,152,071	207,846	(328)	3,359,589
Total capital assets being depreciated, net	3,761,809	(150,336)	(735)	3,610,738
Net capital assets	$ 3,880,163	$ (150,336)	$ (735)	$ 3,729,092

	Balance at July 1, 2014	Additions	Reductions	Balance at June 30, 2015
Capital assets not being depreciated:				
Land and land improvements	$ 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:				
Building	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

4) Note Payable

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

The following is a summary of the note payable activity for the years ended June 30, 2016 and 2015:

Fiscal Year	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
2016	$ 17,904	$ -	$ 17,904	$ -	$ -
2015	$ 52,737	$ -	$ 34,833	$ 17,904	$ 17,904

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, 2016 and 2015, and are included in professional services in the accompanying statements of revenues, expenses and changes in net position.

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) Other Post-Employment Benefits (OPEB)

In addition to providing the pension benefits described in Note 6, the Commission provides other post-employment health-care benefits 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.

Funding Policy

The Commission does not intend to establish a trust to pre-fund the obligation. 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 that the current active population remains constant. Retirees contribute towards their health insurance premiums based on a blended rate, and therefore, the Commission has an implicit rate obligation. The estimated contributions are based on the implicit rate subsidy payments made during the year by the retirees.

Plan Description

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 post-employment 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, there is no employer obligation. There is no coverage for post-Medicare retirees. There were 39 active employee participants at the time of the actuarial study.

7) Other Post-Employment Benefits (OPEB), Continued

Net OPEB Obligation

As of June 30, 2016, the net OPEB obligation was calculated as follows:

Annual required contribution	$	16,000
Amortization of net OPEB obligation		(3,000)
Interest on net OPEB obligation		2,000
Annual OPEB cost		15,000
Contributions made		(1,000)
Increase in net OPEB obligation		14,000
Net OPEB obligation, beginning of year		59,000
Net OPEB obligation, end of year	$	73,000

Actuarial Methods and Assumptions

For the actuarial valuation at June 30, 2016, the projected unit credit actuarial cost method was used. Under this method, 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.

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 23 years based on a level percent of payroll method. The actuarial unfunded accrued liability was $96,000. Future increases for medical benefits are assumed to range from an initial rate of 7.5% and decreasing gradually with the ultimate rate being 5.04%. 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.

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.

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Compliance Section

DIXON HUGHES GOODMAN LLP

Report of Independent Auditors' 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*

Commission Members
Middle Peninsula Juvenile Detention Commission
Williamsburg, Virginia

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, 2016, 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 25, 2016.

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 25, 2016

DIXON HUGHES GOODMAN LLP

Independent Auditors' Report on Compliance with Commonwealth of Virginia Laws, Regulations, Contracts and Grants

Commission Members
Middle Peninsula Juvenile Detention Commission
Williamsburg, Virginia

We have audited the financial statements of the Middle Peninsula Juvenile Detention Commission, as of and for the year ended June 30, 2016, and have issued our report thereon date October 25, 2016.

We conducted our audit 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 *Specifications for Audits of Boards, Commissions and Authorities*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement.

Compliance with Commonwealth of Virginia laws, regulations, contracts and grants applicable to the Middle Peninsula Juvenile Detention Commission, is the responsibility of the Middle Peninsula Juvenile Detention Commission's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Middle Peninsula Juvenile Detention Commission's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Following is a summary of the Commonwealth of Virginia's laws, regulations, contracts and grants for which we performed tests of compliance:

<u>Code of Virginia</u>

- Cash and Investments
- Conflicts of Interest
- Retirement Systems
- Procurement
- Unclaimed Property

The results of our tests disclosed one instance of noncompliance with the provisions referred to in the preceding paragraph. This instance is discussed in the Schedule of Findings and Responses as Finding 16-1. With respect to items not tested, nothing came to our attention that caused us to believe that the Middle Peninsula Juvenile Detention Commission had not complied, in all material respects, with those provisions.

This report is intended solely for the information and use of the Commission Members and management of Middle Peninsula Juvenile Detention Commission, and the Auditor of Public Accounts and all applicable state agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Dixon Hughes Goodman LLP

Newport News, Virginia
October 25, 2016

Middle Peninsula Juvenile Detention Commission

Schedule of Findings and Responses
Year ended June 30, 2016

1) Summary of Auditors' Results

(a) The type of report issued on the financial statements: **unmodified opinion**

(b) Significant deficiencies in internal control disclosed by the audit of the financial statements: **none noted**

Material weaknesses: **none noted**

(c) Noncompliance which is material to the financial statements: **no**

2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*: none noted

3) Findings and Responses for Commonwealth of Virginia Laws, Regulations, Contracts, and Grants:

Finding 16-1

Condition: Commission members are not filing the disclosure statement as required by the Virginia Code.

Criteria: The State and Local Government Conflict of Interests Act contained in Chapter 31 of Title 2.2 of the Code of Virginia requires certain local government officials to file a disclosure statement of their personal interests with the clerk of the governing body by December 15 of each year, unless the governing body of the jurisdiction that appoints the members requires that the members file the Statement of Economic Interests.

Effect: The Commission was not in compliance with the State and Local Government Conflict of Interest Act.

Cause: Unknown

Recommendation: The Commission should take steps to ensure that each local official files the required forms in a timely manner.

Management's response: We will have our attorney investigate this finding and if his research reveals that the disclosure statement filing is required, we will be in compliance by December 15, 2016.

4) Results of Prior Year Findings

There were no prior year findings.