MIDDLE PENINSULA JUVENILE DETENTION COMMISSION

Basic Financial Statements

June 30, 2010 and 2009

(With Independent Auditors' Report Thereon)

Goodman & COMPANY

Certified Public Accountants
Specialized Services
Business Solutions

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Independent Auditors' Report

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, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the ***Middle Peninsula Juvenile Detention Commission's*** management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits 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 Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our 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, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2010, 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* and important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2-5 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

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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 of 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.

Goodman & Company, LLP

Newport News, Virginia
September 20, 2010

MIDDLE PENINSULA JUVENILE DETENTION COMMISSION

Management's Discussion and Analysis

June 30, 2010 and 2009

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, 2010 and 2009.

Financial Highlights for Fiscal Year 2010 and 2009

- The Commission had a decrease in net assets of $150,089 and $142,238 for fiscal years 2010 and 2009, respectively.

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 assets; 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 assets, is one way to measure financial health or financial position. Over time, increases and decreases in net assets 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.

MIDDLE PENINSULA JUVENILE DETENTION COMMISSION

Management's Discussion and Analysis

June 30, 2010 and 2009

Balance Sheets

The following table reflects a summary of the balance sheets:

Table 1
Summary of Balance Sheets
As of June 30, 2010, 2009 and 2008

		2010	2009	2008
Current assets	$	665,893	664,215	814,651
Capital assets, net		4,633,354	4,802,170	4,840,139
Total assets	$	5,299,247	5,466,385	5,654,790
Current liabilities	$	156,382	181,431	227,598
Noncurrent liabilities		8,000	-	-
Total liabilities		164,382	181,431	227,598
Net assets:				
Invested in capital assets, net of related debt		4,633,354	4,802,170	4,840,139
Unrestricted		501,511	482,784	587,053
Total net assets		5,134,865	5,284,954	5,427,192
Total liabilities and net assets	$	5,299,247	5,466,385	5,654,790

Net assets (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 $5,134,865 at June 30, 2010. Current assets consist of cash and short-term investments and accounts receivable. Current liabilities consist of accounts payable, accrued benefits, and deferred revenue.

Total assets decreased by 3.1% from 2009 to 2010. Capital net assets decreased by 3.5% from 2009 to 2010, primarily due to an increase in accumulated depreciation.

Total liabilities decreased by 9.4% from 2009 to 2010, primarily due to a decrease in accounts payable and accrued benefits. Noncurrent liabilities in 2010 consisted of Other Post-Employment Benefits (OPEB). This 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.
Due to a higher decrease in total assets than in total liabilities, total net assets decreased by 2.8% from 2009 to 2010.

Total assets decreased by 3.3% from 2008 to 2009. Current assets decreased by 18.5% from 2008 to 2009. Accounts receivable decreased by 54.4% due to less outstanding revenue from the member jurisdictions.
Total liabilities decreased by 20.3% from 2008 to 2009, primarily due to a decrease in accounts payable and deferred revenue.

Due to a higher decrease in total assets than in total liabilities, total net assets decreased by 2.6% from 2008 to 2009.

Statements of Revenues, Expenses and Changes in Net Assets

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

Table 2
Summary of Revenues, Expenses and Changes in Net Assets
For the Fiscal Years Ended June 30, 2010, 2009 and 2008

		2010	2009	2008
Fees from member jurisdiction	$	1,958,394	1,924,164	2,421,829
Other operating revenues		1,329,888	1,405,873	1,423,374
Total operating revenues		3,288,282	3,330,037	3,845,203
Salaries and wages		1,966,568	2,016,618	1,961,796
Other expenses		1,284,680	1,278,947	1,268,265
Total operating expenses before depreciation		3,251,248	3,295,565	3,230,061
Operating income before depreciation		37,034	34,472	615,142
Depreciation		189,660	184,002	192,556
Operating income (loss)		(152,626)	(149,530)	422,586
Net non-operating revenues		2,537	7,292	14,263
Changes in net assets		(150,089)	(142,238)	436,849
Net assets, beginning of year		5,284,954	5,427,192	4,990,343
Net assets, end of year	$	5,134,865	5,284,954	5,427,192

Total net assets decreased by $150,089 for the fiscal year ended June 30, 2010. The primary source of revenue the Commission receives is fees from member jurisdictions for which they serve, which equaled $1,958,394 in fiscal year 2010. Included in other operating revenues are monies from the Commonwealth of Virginia that totaled $1,218,168 during 2010, as well as federal grant awards in the amount of $74,627 during 2010.

Salaries and wages account for 60.5% of the Commission's total operating expenses (excluding depreciation), during 2010 while employee benefits, expenses on behalf of the juveniles, and utilities make up the majority of other expenses. During fiscal year 2010, $51,735 was paid as part of the state budget cuts, and is listed as Aid to Commonwealth in the enclosed statements. Salaries and wages decreased from 2009 to 2010 by 2.5%, primarily due to the Director of the Commission position vacancy for half of fiscal year 2010.

Net nonoperating revenues are comprised of the interest earned on the Commission's short-term investments. From 2009 to 2010, the net nonoperating revenues decreased by $4,755. This decrease resulted from a decrease in interest revenue due to lower investment rates compared to 2009.

Total net assets decreased by $142,238 for the fiscal year ended June 30, 2009. The primary source of revenue the Commission receives is fees from member jurisdictions for which they serve, which equaled $1,924,164 in fiscal year 2009. These fees decreased by $497,665 from 2008 due to the Commission operating at a lower capacity, and a reduction in the members per diem rates. Included in other operating revenues are monies from the Commonwealth of Virginia that totaled $1,279,524, as well as federal grant awards in the amount of $67,162. Salaries and wages account for 61.2% of the Commission's total operating expenses (excluding depreciation), while employee benefits, expenses on behalf of the juveniles, and utilities make up the majority of other expenses. During fiscal year 2009, $52,421 was paid as part of the state budget cuts, and is listed as Aid to Commonwealth in the enclosed statements. Salaries and wages increased from 2008 to 2009 by 2.8%, primarily due to yearly merit raises given to staff.

Net nonoperating revenues are comprised of the interest earned on the Commission's short-term investments. From 2008 to 2009, the net nonoperating revenues decreased by $6,971. This decrease resulted from a decrease in interest revenue due to lower investment rates compared to 2008.

Capital Assets

At the end of fiscal years 2010 and 2009, the Commission's net capital assets totaled $4,633,354 and $4,802,170, respectively. Included in those assets are land, building, machinery and equipment, and improvements other than building.

Debt Administration

The Commission obtained a $4,000,000 debt obligation with a financial institution during 1999 in order to repay a previously outstanding $6,800,000 line of credit. The line of credit was used to fund the acquisition, construction, and equipping of the juvenile detention center facility. As of June 30, 2007, the total balance of the debt obligation outstanding debt was $551,438. This balance was paid in full during the year ended June 30, 2008.

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, 2010 and 2009

		2010	2009
Assets			
Current assets			
Cash and short-term investments (note 2)	$	582,223	583,721
Accounts receivable		83,670	80,494
Total current assets		665,893	664,215
Capital assets (note 3)			
Land		118,354	118,354
Building		6,169,996	6,169,996
Machinery and equipment		514,664	496,365
Improvements other than building		117,107	117,107
Total capital assets		6,920,121	6,901,822
Less accumulated depreciation		2,286,767	2,099,652
Net capital assets		4,633,354	4,802,170
Total assets	$	5,299,247	5,466,385
Liabilities and Net Assets			
Current liabilities			
Accounts payable	$	20,603	37,327
Accrued benefits		97,813	112,820
Deferred revenue		37,966	31,284
Total current liabilities		156,382	181,431
Noncurrent liabilities			
OPEB liability (note 6)		8,000	-
Total liabilities		164,382	181,431
Net assets			
Invested in capital assets, net of related debt		4,633,354	4,802,170
Unrestricted		501,511	482,784
Total net assets		5,134,865	5,284,954
Total liabilities and net assets	$	5,299,247	5,466,385

See accompanying notes to financial statements.

MIDDLE PENINSULA JUVENILE DETENTION COMMISSION

Statements of Revenues, Expenses and Changes in Net Assets

Years ended June 30, 2010 and 2009

		2010	2009
Operating revenues			
Fees from member jurisdictions	$	1,958,394	1,924,164
Commonwealth of Virginia		1,218,168	1,279,524
Federal grants		74,627	67,162
Fees from nonmember jurisdictions		17,157	21,780
Other		19,936	37,407
Total operating revenues		3,288,282	3,330,037
Operating expenses			
Salaries and wages		1,966,568	2,016,618
Employee benefits		726,857	711,306
Aid to Commonwealth		51,735	52,421
Grants		60,087	69,662
Utilities		106,142	114,937
Supplies		104,442	106,192
Service contracts (note 4)		95,553	88,122
Miscellaneous		44,099	36,735
Professional services		35,210	34,751
Purchase of bedspace		31,565	12,692
Minor equipment purchases		9,755	31,810
Insurance		14,373	16,022
Training		4,862	4,297
Total operating expenses before depreciation		3,251,248	3,295,565
Operating income before depreciation		37,034	34,472
Depreciation		189,660	184,002
Operating loss		(152,626)	(149,530)
Nonoperating revenues			
Interest revenue		2,537	7,292
Change in net assets		(150,089)	(142,238)
Net assets at beginning of year		5,284,954	5,427,192
Net assets at end of year	$	5,134,865	5,284,954

See accompanying notes to financial statements.

MIDDLE PENINSULA JUVENILE DETENTION COMMISSION

Statements of Cash Flows

Years ended June 30, 2010 and 2009

		2010	2009
Cash flows provided by operating activities			
Cash received from customers	$	3,291,787	3,402,051
Cash payments to suppliers for goods and services		(574,547)	(584,708)
Cash payments for personnel services		(2,700,432)	(2,733,058)
Net cash provided by operating activities		16,808	84,285
Cash flows used in capital and related financing activities -			
Acquisition and construction of capital assets		(20,843)	(146,033)
Cash flows provided by investment activities - interest received		2,537	7,292
Decrease in cash and short-term investments		(1,498)	(54,456)
Cash and short-term investments at beginning of year		583,721	638,177
Cash and short-term investments at end of year	$	582,223	583,721

		2010	2009
Reconciliation of operating income to net cash provided by operating activities:			
Operating loss	$	(152,626)	(149,530)
Adjustments to reconcile operating income to cash provided by operating activities:			
Depreciation expense		189,660	184,002
Changes in operating assets and liabilities:			
Accounts receivable		(3,177)	95,980
Accounts payable		(16,724)	(17,067)
Accrued benefits		(15,007)	(5,134)
Deferred revenue		6,682	(23,966)
OPEB liability		8,000	-
Total adjustments		169,434	233,815
Net cash provided by operating activities	$	16,808	84,285

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.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting *and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting,* proprietary funds follow all applicable GASB pronouncements, as well as those Financial Accounting Standards Board (FASB) pronouncements and predecessor Accounting Principles Board (APB) Opinions and Accounting Research Bulletins issued on or before November 30, 1989. Under paragraph 7 of GASB Statement No. 20, the Commission has elected not to apply FASB pronouncements issued after November 30, 1989.

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis - for State and Local Governments.* GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and an analytical overview of the government's financial activities in the form of "management's discussion and analysis." This analysis is comparable to analysis the private sector provides in their annual reports and is considered required supplementary information. For enterprise funds, GASB Statement No. 34 also requires that the statement of cash flows be prepared using the direct method and the categories of net assets be changed. The net assets of a government are broken into three categories: 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted. Effective July 1, 2002, the Commission implemented the provisions of GASB Statement No. 34. Total equity of the Commission did not change as a result of this adoption.

Effective July 1, 2004, the Commission adopted the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. This statement modifies, establishes, and rescinds certain financial statement disclosure requirements. Accordingly, certain footnote disclosures have been revised to conform to the provisions of GASB Statement No. 40.

(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.

(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) New Accounting Principles

Effective July 1, 2009, the Commission adopted the provisions of GASB Statement Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes standards for reporting the liability for nonpension postemployment benefits, chiefly the health care premiums for retirees.

(e) Subsequent Events

In preparing these financial statements, the Commission has evaluated events and transactions for potential recognition or disclosure through September 20, 2010, 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 $550,966 and $552,557 at June 30, 2010 and 2009, respectively. The bank balances, 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, prime quality commercial paper, and certain corporate notes, bankers acceptances, repurchase agreements, negotiable certificates of deposit, bank deposit notes, mutual funds that invest exclusively in securities specifically permitted under the Policy, 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	25% 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, and Fitch Investor's Service. 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, 2010 and 2009, 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
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, 2010 and 2009, 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, 2010 and 2009, the fair values and maturities of the Commission's investments were as follows:

Investment Type	Fair Value	Maturity
2010 – Commonwealth of Virginia LGIP	$ 31,257	-
2009 – Commonwealth of Virginia LGIP	$ 31,164	-

(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, 2010 and 2009, 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, 2010 and 2009:

	Balances at July 1, 2009	Additions	Reductions	Balances at June 30, 2010
Capital assets not being depreciated - land	$ 118,354	-	-	118,354
Capital assets being depreciated:				
Building	6,169,996	-	-	6,169,996
Machinery and equipment	496,365	20,844	2,545	514,664
Improvements other than building	117,107	-	-	117,107
Total capital assets being depreciated	6,783,468	20,844	2,545	6,801,767
Less accumulated depreciation for:				
Buildings	1,761,496	154,249	-	1,915,745
Machinery and equipment	315,454	31,463	2,545	344,372
Improvements other than building	22,702	3,948	-	26,650
Total accumulated depreciation	2,099,652	189,660	2,545	2,286,767
Total capital assets being depreciated, net	4,683,816	(168,816)	-	4,515,000
Net capital assets	$ 4,802,170	(168,816)	-	4,633,354

	Balances at July 1, 2008	Additions	Reductions	Balances at June 30, 2009
Capital assets not being depreciated - land	$ 118,354	-	-	118,354
Capital assets being depreciated:				
Building	6,169,996	-	-	6,169,996
Machinery and equipment	441,252	96,785	41,672	496,365
Improvements other than building	67,859	49,248	-	117,107
Total capital assets being depreciated	6,679,107	146,033	41,672	6,783,468
Less accumulated depreciation for:				
Buildings	1,607,246	154,250	-	1,761,496
Machinery and equipment	329,815	27,311	41,672	315,454
Improvements other than building	20,261	2,441	-	22,702
Total accumulated depreciation	1,957,322	184,002	41,672	2,099,652
Total capital assets being depreciated, net	4,721,785	(37,969)	-	4,683,816
Net capital assets	$ 4,840,139	(37,969)	-	4,802,170

(4) 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 and $28,500 during the years ended June 30, 2010 and 2009 respectively, and are included in service contracts in the accompanying statements of revenues, expenses and changes in net assets.

(5) 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.

(6) 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 5, 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 38 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, 2010 was calculated as follows:

Annual required contribution	$	8,000
Interest on net OPEB obligation		-
Actuarial adjustment		-
Annual OPEB cost		8,000
Contributions made		-
Increase in net OPEB obligation		8,000
Net OPEB obligation, beginning of year		-
Net OPEB obligation, end of year	$	8,000

(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, 2009 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 29 years based on a level percent of payroll method. The actuarial accrued liability was $35,000. Future increases for medical benefits are assumed to range from an initial rate of 8% and gradually decrease to 5.8% 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.

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MIDDLE PENINSULA JUVENILE DETENTION COMMISSION

Compliance Section

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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 the financial statements of ***Middle Peninsula Juvenile Detention Commission*** as of and for the year ended June 30, 2010, and have issued our report thereon dated September 20, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered ***Middle Peninsula Juvenile Detention Commission's*** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of ***Middle Peninsula Juvenile Detention Commission's*** internal control over financial reporting.

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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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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*.

This report is intended solely for the information and use of management, others within the Commission, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

Goodman & Company, LLP

Newport News, Virginia
September 20, 2010