MIDDLE PENINSULA JUVENILE DETENTION COMMISSION

Basic Financial Statements

June 30, 2011 and 2010

(With Independent Auditors' Report Thereon)

DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

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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 year ended June 30, 2011, 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. The basic financial statements as of June 30, 2010 were audited by Goodman & Company, LLP, who merged into Dixon Hughes Goodman LLP as of April 1, 2011, and whose report dated September 20, 2010, expressed an unqualified opinion on those statements.

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 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 audit 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 audit provides 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, 2011, and the changes in its net assets and its cash flows for the year 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 27, 2011, 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 3-7 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 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
September 27, 2011

MIDDLE PENINSULA JUVENILE DETENTION COMMISSION

Management's Discussion and Analysis

June 30, 2011 and 2010

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, 2011 and 2010.

Financial Highlights for Fiscal Year 2011 and 2010

- The Commission had a decrease in net assets of $390,882 and $150,089 for fiscal years 2011 and 2010, respectively. The decrease in fiscal year 2011 is primarily attributable to a decline in fees from members revenue with no offsetting decrease in operating expenses.

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.

Balance Sheets

The following table reflects a summary of the balance sheets:

Table 1
Summary of Balance Sheets
As of June 30, 2011, 2010 and 2009

		2011	2010	2009
Current assets	$	572,647	665,893	664,215
Capital assets, net		4,527,217	4,633,354	4,802,170
Total assets	$	5,099,864	5,299,247	5,466,385
Current liabilities	$	220,223	156,382	181,431
Noncurrent liabilities		135,658	8,000	-
Total liabilities		355,881	164,382	181,431
Net assets:				
Invested in capital assets, net of related debt		4,377,380	4,633,354	4,802,170
Unrestricted		366,603	501,511	482,784
Total net assets		4,743,983	5,134,865	5,284,954
Total liabilities and net assets	$	5,099,864	5,299,247	5,466,385

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 $4,743,983 at June 30, 2011. 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 deferred revenue.

Total assets decreased by 3.8% from 2010 to 2011 primarily due to a decrease in cash as a result of current year negative cash flow from operations and decreases in capital assets. Capital assets decreased by 2.3% from 2010 to 2011, primarily due to current year depreciation in excess of capital asset additions..

Total liabilities increased by 116.5% from 2010 to 2011, primarily due to an increase in accounts payable and issue of a note payable. Noncurrent liabilities in 2011 consisted of Other Post-Employment Benefits (OPEB) and a note payable, net of current portion. The Commission issued a note payable in the amount of $165,000 to Lancaster County to upgrade the security system. 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 3.1% 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.

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, 2011, 2010 and 2009

		2011	2010	2009
Fees from member jurisdiction	$	1,730,645	1,958,394	1,924,164
Other operating revenues		1,242,536	1,329,888	1,405,873
Total operating revenues		2,973,181	3,288,282	3,330,037
Salaries and wages		1,951,429	1,966,568	2,016,618
Other expenses		1,211,674	1,284,680	1,278,947
Total operating expenses before depreciation		3,163,103	3,251,248	3,295,565
Operating income (loss) before depreciation		(189,922)	37,034	34,472
Depreciation		192,771	189,660	184,002
Operating loss		(382,693)	(152,626)	(149,530)
Net nonoperating revenues (expenses)		(8,189)	2,537	7,292
Changes in net assets		(390,882)	(150,089)	(142,238)
Net assets, beginning of year		5,134,865	5,284,954	5,427,192
Net assets, end of year	$	4,743,983	5,134,865	5,284,954

Total net assets decreased by $390,882 for the fiscal year ended June 30, 2011. The primary source of revenue the Commission receives is fees from member jurisdictions for which they serve, which equaled $1,730,645 in fiscal year 2011. Included in other operating revenues are monies from the Commonwealth of Virginia that totaled $1,144,758 during 2011 (net of amount returned to the state of $65,815 as part of state budget cuts), as well as federal grant awards in the amount of $56,702 during 2011.

Salaries and wages account for 60.4% of the Commission's total operating expenses (excluding depreciation), during 2011 while employee benefits, utilities and supplies make up the majority of other expenses. During fiscal year 2011, $65,815 was paid back to the Commonwealth of Virginia as part of the state budget cuts, and is listed as Aid to Commonwealth in the enclosed statements.

Net non-operating revenues (expenses) are comprised of the interest earned on the Commission's short-term investments, interest expense for the note payable, and loss on disposal of capital assets. From 2010 to 2011, the net non-operating revenues decreased by $10,726. This decrease resulted primarily from a loss on disposal of capital assets.

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.

Capital Assets

At the end of fiscal years 2011 and 2010, the Commission's net capital assets totaled $4,527,217 and $4,633,354, respectively. Included in those assets are land, building, machinery and equipment, and improvements other than building. The decrease during 2011 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.

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, 2011 and 2010

	2011	2010
Assets		
Current assets		
Cash and short-term investments (note 2)	$ 462,226	582,223
Accounts receivable	110,421	83,670
Total current assets	572,647	665,893
Capital assets (note 3)		
Land	118,354	118,354
Building	6,169,996	6,169,996
Machinery and equipment	582,790	514,664
Improvements other than building	117,107	117,107
Total capital assets	6,988,247	6,920,121
Less accumulated depreciation	2,461,030	2,286,767
Net capital assets	4,527,217	4,633,354
Total assets	$ 5,099,864	5,299,247
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 14,521	20,603
Due to James City County	45,024	-
Accrued benefits	85,789	97,813
Current portion of note payable	31,179	-
Deferred revenue	43,710	37,966
Total current liabilities	220,223	156,382
Noncurrent liabilities		
Note payable, net of current portion (note 4)	118,658	-
OPEB liability (note 7)	17,000	8,000
Total noncurrent liabilities	135,658	8,000
Total liabilities	355,881	164,382
Net assets		
Invested in capital assets, net of related debt	4,377,380	4,633,354
Unrestricted	366,603	501,511
Total net assets	4,743,983	5,134,865
Total liabilities and net assets	$ 5,099,864	5,299,247

See accompanying notes to financial statements.

MIDDLE PENINSULA JUVENILE
DETENTION COMMISSION

Statements of Revenues, Expenses and Changes in Net Assets

Years ended June 30, 2011 and 2010

		2011	2010
Operating revenues			
Fees from member jurisdictions	$	1,730,645	1,958,394
Commonwealth of Virginia		1,144,758	1,218,168
Federal grants		56,702	74,627
Fees from nonmember jurisdictions		25,944	17,157
Other		15,132	19,936
Total operating revenues		2,973,181	3,288,282
Operating expenses			
Salaries and wages		1,951,429	1,966,568
Employee benefits		735,342	726,857
Utilities		110,693	106,142
Supplies		103,534	104,442
Service contracts (note 5)		80,399	95,553
Grants		64,800	60,087
Miscellaneous		44,020	44,099
Professional services		35,294	35,210
Insurance		14,054	14,373
Minor equipment purchases		12,387	9,755
Purchase of bedspace		7,400	31,565
Training		3,751	4,862
Total operating expenses before depreciation		3,163,103	3,199,513
Operating income (loss) before depreciation		(189,922)	88,769
Depreciation		192,771	189,660
Operating loss		(382,693)	(100,891)
Nonoperating revenues (expenses)			
Loss on disposal of capital assets		(6,397)	-
Interest expense		(2,936)	-
Interest revenue		1,144	2,537
Net nonoperating revenues (expenses)		(8,189)	2,537
Change in net assets		(390,882)	(98,354)
Net assets at beginning of year		5,134,865	5,284,954
Net assets at end of year	$	4,743,983	5,186,600

See accompanying notes to financial statements.

MIDDLE PENINSULA JUVENILE DETENTION COMMISSION

Statements of Cash Flows

Years ended June 30, 2011 and 2010

		2011	2010
Cash flows provided (used) by operating activities			
Cash received from customers	$	2,952,174	3,291,787
Cash payments to suppliers for goods and services		(503,205)	(574,547)
Cash payments for personnel services		(2,689,795)	(2,700,432)
Net cash provided (used) by operating activities		(240,826)	16,808
Cash flows provided (used) by capital and related financing activities			
Proceeds from note issued		165,000	-
Proceeds from sale of capital assets		555	-
Principal payments on note payable		(15,162)	-
Interest paid on note payable		(2,936)	-
Acquisition and construction of capital assets		(93,587)	(20,843)
Net cash provided (used) by capital and related financing activities		53,870	(20,843)
Cash flows provided by investment activities - interest received		1,144	2,537
Decrease in cash and short-term investments		(185,812)	(1,498)
Cash and short-term investments at beginning of year		582,223	583,721
Cash and short-term investments at end of year	$	396,411	582,223
Reconciliation of operating (loss) to net cash provided by operating activities:			
Operating loss	$	(382,693)	(152,626)
Adjustments to reconcile operating (loss) to cash provided by operating activities:			
Depreciation expense		192,771	189,660
Changes in operating assets and liabilities:			
Accounts receivable		(26,751)	(3,177)
Accounts payable		(6,082)	(16,724)
Accrued benefits		(12,024)	(15,007)
Deferred revenue		5,744	6,682
OPEB liability		9,000	8,000
Due to James City County		45,024	-
Total adjustments		207,682	169,434
Net cash provided by operating activities	$	(175,011)	16,808

See accompanying notes to financial statements.

MIDDLE PENINSULA JUVENILE DETENTION COMMISSION

Notes to Financial Statements

June 30, 2011 and 2010

(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 non-operating 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 non-operating 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, 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 non-pension postemployment benefits, chiefly the health care premiums for retirees.

(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 non-operating 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) Subsequent Events

In preparing these financial statements, the Commission has evaluated events and transactions for potential recognition or disclosure through September 27, 2011, 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 $5,483 and $550,966 at June 30, 2011 and 2010 respectively. All cash of the Commission is maintained in accounts that are 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 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
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, 2011 and 2010, 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, 2011 and 2010, 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, 2011 and 2010, the fair values and maturities of the Commission's investments were as follows:

Investment Type	Fair Value	Maturity
2011 – Commonwealth of Virginia LGIP	$ 456,743	1 day
2010 – Commonwealth of Virginia LGIP	$ 31,257	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, 2011 and 2010, 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, 2011 and 2010:

	Balances at July 1, 2010	Additions	Reductions	Balances at June 30, 2011
Capital assets not being depreciated - land	$ 118,354	-	-	118,354
Capital assets being depreciated:				
Building	6,169,996	-	-	6,169,996
Machinery and equipment	514,664	93,586	25,460	582,790
Improvements other than building	117,107	-	-	117,107
Total capital assets being depreciated	6,801,767	93,586	25,460	6,869,893
Less accumulated depreciation for:				
Buildings	1,915,745	154,250	-	2,069,995
Machinery and equipment	344,372	34,571	18,508	360,435
Improvements other than building	26,650	3,950	-	30,600
Total accumulated depreciation	2,286,767	192,771	18,509	2,461,030
Total capital assets being depreciated, net	4,515,000	(99,185)	(6,952)	4,408,863
Net capital assets	$ 4,633,354	(99,185)	(6,952)	4,527,217

	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

(4) Note Payable

On December 15, 2010, the Commission executed a promissory note with Lancaster County, which will be used to upgrade the existing security system. The promissory note was issued for $165,000 at 3.71% 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, 2011:

	Amount payable at July 1, 2010	Additions	Reductions	Amount payable at June 30, 2011	Amount due within one year
$	—	165,000	15,163	149,837	31,179

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

		Principal	Interest
Fiscal year ending June 30:			
2012	$	31,179	5,019
2013		32,352	3,845
2014		33,569	2,628
2015		34,833	1,365
2016		17,904	194
	$	149,837	13,051

(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, 2011 and 2010, and are included in service contracts in the accompanying statements of revenues, expenses and changes in net assets.

(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. Contributions made by the Commission to this plan were $245,006 and $235,155 for 2011 and 2010, respectively, and are included in employee benefits expense on the statements of revenues, expenses and changes in net assets.

(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. The Commission's postretirement benefits are administered by the County. The current year Annual Required Contribution was $9,000. No separate actuarial information is available with regard to the Commission's participation. Detailed disclosures regarding the County's participation and related actuarial information can be found in the County's annual financial statements.

(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 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) 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, 2010 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

DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

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, 2011, and have issued our report thereon dated September 27, 2011. 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.

Dixon Hughes Goodman LLP

Newport News, Virginia
September 27, 2011