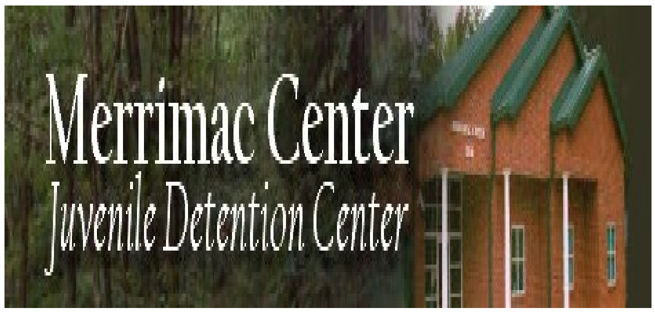

Middle Peninsula Juvenile Detention Commission

Basic Financial Statements
(With Independent Auditors' Report Thereon)

June 30, 2018 and 2017

Middle Peninsula Juvenile Detention Commission

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DIXON HUGHES GOODMAN LLP

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, 2018 and 2017, and the related notes to the financial statements, 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 also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2018 and 2017, 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.

Emphasis of Matter

Change in Accounting Principle

As discussed in Notes 1 and 7 to the financial statements, during 2018 the Middle Peninsula Juvenile Detention Commission implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which resulted in a cumulative effect adjustment to net position as of the beginning of the year. Our opinion is not modified with respect to these changes.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 5 and schedule of changes in total liability and related ratios and schedule of employer contributions and related notes on pages 17 - 19 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 them to be essential parts of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context and disclosing additional plan information. 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 audits 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 10, 2018, 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 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 10, 2018

Middle Peninsula Juvenile Detention Commission
Management's Discussion and Analysis
June 30, 2018 and 2017

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, 2018 and 2017.

Financial Highlights

The Commission had an increase of $174,095 and a decrease of ($78,339) in net position for fiscal years 2018 and 2017, respectively. In fiscal year 2018, revenue from the Commonwealth of Virginia increased due to an increase in referrals for the community placement program and the state's assessment program. In fiscal year 2017, the decrease was primarily attributable to higher personnel costs, driven by a 2% raise, the hiring of 5 new employees, more overtime hours due to leave and workers compensation claims, and a one-time merit bonus.

The Commission's restatement of beginning net position in fiscal year 2018 is due to the implementation of GASB 75. Additional information can be found in Notes 1 and 7 to the basic financial statements.

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

	6/30/2018	6/30/2017	6/30/2016
Current assets	$ 2,106,647	$ 2,056,501	$ 1,537,366
Capital assets, net of accumulated depreciation	3,435,628	3,604,692	3,729,092
Total assets	$ 5,542,275	$ 5,661,193	$ 5,266,458
Current liabilities	$ 871,426	$ 1,174,215	$ 716,141
Noncurrent liabilities	84,086	88,000	73,000
Total liabilities	955,512	1,262,215	789,141
Deferred inflow of resources	6,675	-	-
Net investment in capital assets	3,435,628	3,604,692	3,729,092
Unrestricted	1,144,460	794,286	748,225
Total net position	4,580,088	4,398,978	4,477,317
Total liabilities, deferred inflows, and net position	$ 5,542,275	$ 5,661,193	$ 5,266,458

Total assets decreased by 2.1% in fiscal year 2018, primarily due to depreciation on capital assets. Total assets increased by 7.5% in fiscal year 2017, primarily due to a higher cash balance which resulted from funds advanced by the State for next year's services (unearned revenue).

Total liabilities decreased by 24.3% and increased by 60.0% in fiscal years 2018 and 2017, respectively. The decrease in 2018 was primarily due to a decrease in payables at the end of the fiscal year. The increase in 2017 was primarily due to unearned revenue for money received from the State for the Community Placement Program for next year's services. Another contributing factor in 2017 was an increase in Accounts Payable, which was due to the Commission approving a refund to its member jurisdictions for a portion of its budget surplus.

At June 30, 2018 and 2017, assets exceeded liabilities by $4,580,088 and $4,398,978 respectively.

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

	6/30/2018	6/30/2017	6/30/2016
Fees from member jurisdictions	$ 1,716,400	$ 1,739,384	$ 1,993,893
Other operating revenues	2,910,899	2,692,327	2,018,556
Total operating revenues	4,627,299	4,431,711	4,012,449
Salaries, wages and benefits	3,612,729	3,597,979	3,199,729
Other expenses	848,335	915,684	903,032
Total operating expenses	4,461,064	4,513,663	4,102,761
Operating income (loss)	166,235	(81,952)	(90,312)
Net nonoperating revenues (expenses)	7,860	3,613	52
Change in net position	174,095	(78,339)	(90,260)
Net position, beginning of year, restated	4,405,993	4,477,317	4,567,577
Net position, end of year	$ 4,580,088	$ 4,398,978	$ 4,477,317

One of the primary sources of revenue for the Commission is the fees from the member jurisdictions for which they serve. For fiscal years 2018 and 2017, fees from member jurisdiction decreased by 1.3% and 12.7%, respectively. Starting in fiscal year 2018, the Commission changed the method of calculating member jurisdictions fees to a rolling five year utilization average. Also, the per diem rate changed from $199 in fiscal year 2017 to $154.24 in 2018. The usage was up from 10,007 days in 2016 to 10,752 in 2017, however due to higher than anticipated revenue from the Commonwealth of Virginia in 2017, the Commission issued refunds to the member jurisdictions in the amount of $325,000, resulting in a decrease in fees from member jurisdictions.

Other operating revenues consist primarily of funds from the state and federal governments and increased by 8.1% from 2017 due to an increase in referrals for the community placement program and state assessment program. For 2017, other operating revenues increased by 33.3% from 2016 due to the new state assessment program being in place for a full year in 2017. The state assessment program is designed to assess state ward juveniles to see if they would benefit from the Community Placement Program. The Commission is paid daily by the State to conduct these assessments.

Salaries, wages and benefits accounted for 81.0% and 79.7% of the Commission's total operating expenses in fiscal years 2018 and 2017, respectively. Personnel costs increased by 0.41% in 2018 and was attributable an increase in health insurance costs. Personnel costs increased by 12.4% in 2017 and was attributable to several factors, including a 2% raise, hiring 5 additional employees, more overtime hours due to leave and workers compensation claims, and a one-time merit bonus.

Other expenses decreased by ($67,349) from 2017 due to a decrease in the purchase of bedspace. Other expenses increased by $12,652 from 2016 due to food purchases, receipt of a block grant and additional bedspace for juveniles.

For 2018, net nonoperating revenues (expenses) consisted of interest earned on investments and a loss on the disposal of capital assets. For 2017, net nonoperating revenues (expenses) consisted of interest earned on investments.

Total net position increased by $174,095 and decreased by ($78,339) for the fiscal years ended June 30, 2018 and 2017, respectively, mainly due to the reasons enumerated above.

Capital Assets

	6/30/2018	6/30/2017	6/30/2016
Nondepreciable	$ 118,354	$ 148,149	$ 118,354
Depreciable, net	3,317,274	3,456,543	3,610,738
Capital assets, net	$ 3,435,628	$ 3,604,692	$ 3,729,092

During fiscal year 2018, the Commission completed their security system upgrade, made improvements to the gym floor, added cabinets to their storage room and expanded their WIFI network. The net effect of these additions and the current year's depreciation expense primarily comprise the decrease in capital assets from 2017. During fiscal year 2017, the Commission purchased several new pieces of machinery and equipment, and was in the process of upgrading their security system. In addition, several capital assets were written off that did not meet the capitalization threshold. The net effect of the additions and disposals as well as current year's depreciation expense collectively comprise the decrease in capital assets from 2016. Additional information can be found in Note 3 to the basic financial statements.

Requests for Financial Information

This financial report is designed to provide 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
Statements of Net Position

	06/30/18	06/30/17
Assets		
Current assets		
Cash and short-term investments (Note 2)	$ 2,008,501	$ 1,812,119
Accounts receivable	58,523	242,659
Due from James City County	1,823	1,723
Prepaid expenses	37,800	-
Total current assets	2,106,647	2,056,501
Capital assets (Note 3)		
Nondepreciable	118,354	148,149
Depreciable, net	3,317,274	3,456,543
Capital assets, net	3,435,628	3,604,692
Total assets	$ 5,542,275	$ 5,661,193
Liabilities and Net Position		
Current liabilities		
Accounts payable	$ 36,907	$ 376,573
Accrued payroll and compensated absences	177,639	167,442
Unearned revenue	656,880	630,200
Total current liabilities	871,426	1,174,215
Noncurrent liabilities		
Other post-employment benefits (OPEB), (Note 6)	84,086	88,000
Total liabilities	955,512	1,262,215
Deferred inflow of resources		
Changes of assumptions, OPEB (Note 6)	6,675	-
Net position		
Net investment in capital assets	3,435,628	3,604,692
Unrestricted (Note 7)	1,144,460	794,286
Total net position	4,580,088	4,398,978
Total liabilities, deferred inflow of resources and net position	$ 5,542,275	$ 5,661,193

See accompanying notes to financial statements.

Middle Peninsula Juvenile Detention Commission
Statements of Revenues, Expenses and Changes in Net Position

	Years Ended	
	06/30/18	**06/30/17**
Operating revenues		
Fees from member jurisdictions	$ 1,716,400	$ 1,739,384
Commonwealth of Virginia	2,815,753	2,598,396
Federal government	81,333	75,195
Fees from nonmember jurisdictions	-	768
Other	13,813	17,968
Total operating revenues	4,627,299	4,431,711
Operating expenses		
Salaries and wages	2,574,894	2,593,241
Employee benefits	1,037,835	1,004,738
Depreciation	210,029	203,791
Professional services (Note 4)	209,272	180,125
Supplies	201,789	209,297
Utilities	116,178	109,880
Miscellaneous	41,508	42,019
Capital improvements	21,728	6,138
Minor furniture and equipment	19,215	55,641
Insurance	16,116	15,288
Training	7,649	12,666
Purchase of bedspace	4,851	80,839
Total operating expenses	4,461,064	4,513,663
Operating income (loss)	166,235	(81,952)
Nonoperating revenues (expenses)		
Interest income	8,977	3,613
Loss on disposal of capital assets	(1,117)	-
Total nonoperating revenue, net	7,860	3,613
Change in net position	174,095	(78,339)
Net position, beginning of year, as restated (Note 7)	4,405,993	4,477,317
Net position, end of year	$ 4,580,088	$ 4,398,978

See accompanying notes to financial statements.

Middle Peninsula Juvenile Detention Commission
Statements of Cash Flows

	Years Ended	
	06/30/18	06/30/17
Cash flows from operating activities:		
Cash received from customers	$ 4,838,508	$ 4,381,832
Cash payments to suppliers for goods and services	(1,015,772)	(345,153)
Cash payments for personnel services	(3,592,756)	(3,564,049)
Net cash provided by operating activities	229,980	472,630
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(42,082)	(89,066)
Cash flows from investment activities:		
Interest received	8,484	3,250
Increase in cash and short-term investments	196,382	386,814
Cash and short-term investments, beginning of year	1,812,119	1,425,305
Cash and short-term investments, end of year	$ 2,008,501	$ 1,812,119
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	$ 166,235	$ (81,952)
Adjustments to reconcile operating income (loss) to cash provided by operating activities:		
Depreciation	210,029	203,791
Disposal of assets under capitalization threshold	-	9,675
Changes in operating assets, liabilities and deferred inflow of resources:		
Accounts receivable	184,629	(130,235)
Due from James City County	(100)	(1,723)
Prepaid expenses	(37,800)	-
Accounts payable	(339,666)	357,065
Accrued payroll and compensated absences	10,197	18,930
Unearned revenue	26,680	82,079
Other post-employment benefits	9,776	15,000
Total adjustments	63,745	554,582
Net cash provided by operating activities	$ 229,980	$ 472,630

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 five thousand dollars ($5,000) 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	3-12 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 on a rolling five year utilization average (previously it was based on the prior year average). The member's annual charge is based on the ratio of each member jurisdiction's usage of space in the detention center during the preceding five fiscal years to the aggregate usage of space by all member jurisdictions during the same five fiscal years.

The Commission has contractual agreements with the Virginia Department of Juvenile Justice to provide detention re-entry placement for juvenile offenders as well as to provide intake assessment services on state ward juveniles to determine if they would benefit from the Community Placement Program.

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 for the fiscal year ended June 30, 2018, the Commission adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Statement No. 75 replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* as amended, and Statement No. 57, *OPEB Measurement by Agent Employers and Agent Multiple-Employer Plans*.

Statement No. 75 addresses accounting and financial reporting for other post-employment benefits (OPEB) that are provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

The Commission could not practically determine the period-specific details of the change on all prior periods presented; therefore, the cumulative effect of the change was applied to the beginning balances of the OPEB liability and net position of the current year (see Note 7).

2) Cash and Short-Term Investments

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

	6/30/2018	6/30/2017
Bank deposits	$ 1,395,228	$ 1,207,310
Change fund	1,000	1,000
Amount held for others	140	160
Short-term investments	612,133	603,649
Total	$ 2,008,501	$ 1,812,119

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:

	6/30/2018		6/30/2017	
Investment Type	Amount	Maturity	Amount	Maturity
LGIP (amortized cost)	$ 612,133	1 day	$ 603,649	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, which measures its investments at amortized cost). 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:

U.S. Treasury obligations	100% maximum
Federal Agency obligations	100% maximum
Registered money market mutual funds	100% maximum
Commonwealth of Virginia LGIP	100% maximum
Bank deposits	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

Credit Risk

As required by state statute, the Policy requires 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 counterparties, bankers' acceptances or money market mutual funds, the Commission has established credit standards for these investments to minimize portfolio risk.

As of June 30, 2018 and 2017, 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

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, 2018 and 2017, 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, 2018 and 2017:

	Balance 7/1/2017	Additions	Reductions	Balance 6/30/2018
Capital assets, non-depreciable:				
Land and land improvements	$ 118,354	$ -	$ -	$ 118,354
Construction in progress	29,795	-	(29,795)	-
Total capital assets, non-depreciable	148,149	-	(29,795)	118,354
Capital assets, depreciable:				
Building	6,180,161	13,461	-	6,193,622
Machinery and equipment	678,309	58,416	(12,154)	724,571
Improvements other than building	124,935	-	-	124,935
Total capital assets, depreciable	6,983,405	71,877	(12,154)	$ 7,043,128
Less accumulated depreciation for:				
Building	2,996,045	155,239	-	3,151,284
Machinery and equipment	478,169	50,433	(11,037)	517,565
Improvements other than building	52,648	4,357	-	57,005
Total accumulated depreciation	3,526,862	210,029	(11,037)	3,725,854
Total capital assets, depreciable, net	3,456,543	(138,152)	(1,117)	3,317,274
Net capital assets	$ 3,604,692	$ (138,152)	$ (30,912)	$ 3,435,628

	Balance 7/1/2016	Additions	Reductions	Balance 6/30/2017
Capital assets, non-depreciable:				
Land and land improvements	$ 118,354	$ -	$ -	$ 118,354
Construction in progress	-	29,795	-	29,795
Total capital assets, non-depreciable	118,354	29,795	-	148,149
Capital assets, depreciable:				
Building	6,180,161	-	-	6,180,161
Machinery and equipment	661,482	59,271	(42,444)	678,309
Improvements other than building	128,684	-	(3,749)	124,935
Total capital assets, depreciable	6,970,327	59,271	(46,193)	6,983,405
Less accumulated depreciation for:				
Building	2,841,287	154,758	-	2,996,045
Machinery and equipment	467,182	44,674	(33,687)	478,169
Improvements other than building	51,120	4,359	(2,831)	52,648
Total accumulated depreciation	3,359,589	203,791	(36,518)	3,526,862
Total capital assets, depreciable, net	3,610,738	(144,520)	(9,675)	3,456,543
Net capital assets	$ 3,729,092	$ (114,725)	$ (9,675)	$ 3,604,692

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 during the years ended June 30, 2018 and 2017, respectively and are included in professional services in the accompanying statements of revenues, expenses and changes in net position.

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) Other Post-Employment Benefits (OPEB)

The Commission provides other post-employment health-care benefits for qualifying retired employees who are not yet eligible for Medicare through an agent, multiple-employer defined benefit plan administered by James City County. 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.

Plan Description

Participants must be eligible to retire under VRS and must be full-time active employees who retire directly from the Commission and are at least 55 years of age with 15 years of service. 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 five plans offered by 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.

Funding Policy

The Commission does not intend to establish a trust to pre-fund the obligation. The anticipated growth in the net OPEB liability 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. Retirees pay 100% of the published rates for individual and dependent coverage until age 65.

Employees Covered by Benefit Terms

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the OPEB plan:

	Number of Participants
Active employees	46
Retirees	-
Total	46

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

Actuarial Methods and Assumptions

For the actuarial valuation at July 1, 2017 (measurement date of June 30, 2017), the entry age normal funding method was used. The goal of this method is that the annual accrual (or normal cost) be a level percent of pay throughout an employee's career. This method requires a salary increase assumption. The normal cost percentage is equal to the present value of benefits divided by the present value of future salary determined when the employee was hired. The actuarial accrued liability is equal to the present value of benefits minus the normal cost percentage times the present value of future salaries at the valuation date.

The actuarial assumptions included calculations based on a discount rate of 3.58% for the unfunded liability. Benefits are discounted based on an index rate for 20-year tax exempt general obligation (GO) municipal bonds with an average rating of AA/Aa or higher. For this valuation, the Bond Buyer GO 20-year Bond Municipal Bond Index was used.

The medical trend assumption was changed from the previous valuation to an assumption developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model baseline assumptions. The SOA Model was released in December 2007 and revised in 2014. The following assumptions were used as input variables into this model:

Inflation	2.20%
Rate of growth in real income/ GDP per capita	1.63%
Income multiplier for health spending	1.30
Extra trend due to technology and other factors	1.40%
Health share of GDP resistance point	25.00%
Year for limiting cost growth to GDP growth	2075

The SOA Long-Run Medical Cost Trend Model and its baseline projection are based on an econometric analysis of historical U.S. medical expenditures and the judgments of experts in the field. The long-run baseline projection and input variables have been developed under the guidance of an SOA Project Oversight Group.

The actuarial assumptions included calculations based on salary increases of 3.15%-1.30% (general) and 2.55%-1.30% (public safety) based on years of service. The valuation assumed that 40% of participants currently with coverage will elect coverage upon retirement, and that 30% of participants electing coverage at retirement will elect coverage for their spouse.

Mortality decrements:

- Pre-Retirement (General): RP 2000 Employee Mortality Table Projected with Scale AA to 2020, males set forward 2 years and females set back 3 years
- Pre-Retirement (LEOS): RP 2000 Employee Mortality Table Projected with Scale AA to 2020, males and females set back 2 years
- Post-Retirement (General): RP 2000 Combined Mortality Table Projected with Scale AA to 2020, females back 1 year
- Post-Retirement (LEOS): RP 2000 Combined Mortality Table Projected with Scale AA to 2020, males set forward 1 year
- Disabled: RP 2000 Disabled Mortality Table, males set back 3 years not fully generational

Changes in Assumptions Since Prior Valuation

- Discount rate was updated as required under the GASB 75 standard.
- Decrement and mortality assumptions were updated to the most recent VRS assumptions.
- Election rate was decreased from 50% to 40% for participants currently with coverage and 50% to 30% for participants who elect coverage at retirement taking spousal coverage.
- Claims assumption was updated to include the most recent plan experience.

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

Changes in Net OPEB Liability

	Increase (decrease)		
	Total OPEB liability (a)	Plan fiduciary net pension (b)	Net OPEB liability (a) - (b)
Balances at June 30, 2016	$ 80,985	$ -	$ 80,985
Changes for the year:			
Service cost	8,581	-	8,581
Interest	2,308	-	2,308
Changes of assumptions	(7,788)	-	(7,788)
Net changes	3,101	-	3,101
Balances at June 30, 2017	$ 84,086	$ -	$ 84,086

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability using the discount rate of 3.58%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.58%) or one percentage point higher (4.58%) than the current rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Net OPEB Liability	$ 94,908	$ 84,086	$ 74,397

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB liability using the health care cost trend rate of 4.00%, as well as what the net OPEB liability would be if it were calculated using a health care cost trend rate that is one percentage point lower (3.00%) or one percentage point higher (5.00%) than the current rate:

	1% Decrease (3.00%)	Ultimate Trend Rate (4.00%)	1% Increase (5.00%)
Net OPEB Liability	$ 70,740	$ 84,086	$ 100,352

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2018, the Commission recognized OPEB expense of $9,776. At June 30, 2018, deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources were reported:

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ -	$ -
Changes of assumptions	-	6,675
Net difference between projected and actual earnings on OPEB investments	-	-
Employer contributions subsequent to the measurement date	-	-
Total	$ -	$ 6,675

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

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB will be recognized in OPEB Expense as follows:

Year Ended		
2019	$	(1,113)
2020		(1,113)
2021		(1,113)
2022		(1,113)
2023		(1,113)
Thereafter		(1,110)
	$	(6,675)

7) Restatement

As stated in Note 1, the Commission adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in fiscal year 2018. The Commission could not practically determine the period-specific details of the change on all prior periods presented; therefore, the cumulative effect of the change was applied to the beginning balances of the current year as follows:

	6/30/2017 Previously Reported	Restatement	6/30/2017 As Restated
OPEB liability	$ 88,000	(7,015)	$ 80,985
Net position	$ 4,398,978	7,015	$ 4,405,993

* * * * *

Required Supplementary Information

Middle Peninsula Juvenile Detention Commission
Schedule of Changes in Net OPEB Liability and Related Ratios (1) (2)
Required Supplementary Information (Unaudited)
Year Ended June 30, 2018*

Total OPEB liability		
Service cost	$	8,581
Interest cost		2,308
Changes of benefit terms		-
Differences between expected and actual experience		-
Changes of assumptions		(7,788)
Benefit payments		-
Net change in total OPEB liability		3,101
Total OPEB liability, beginning		80,985
Total OPEB liability, ending (a)	$	84,086
Plan fiduciary net position		
Contributions - employer	$	-
Net investment income		-
Benefit payments		-
Administrative expense		-
Net change in plan fiduciary net position		-
Plan fiduciary net position, beginning		-
Plan fiduciary net position, ending (b)	$	-
Net OPEB liability (a) - (b)	$	84,086
Fiduciary net position as a % of total OPEB liability		0.00%
Expected average remaining service years of all participants		7

(1) This schedule is intended to present 10 years of information. GASB 75 was implemented in fiscal year 2018; additional years will be presented as the information becomes available.
(2) This OPEB plan does not depend on salary information.
* The amounts presented have a measurement date of the previous fiscal year end.

See accompanying notes to financial statements.

Middle Peninsula Juvenile Detention Commission
OPEB Schedule of Employer Contributions (1) (2)
Required Supplementary Information (Unaudited)

Fiscal Year	Actuarially determined contribution	Contributions in relation to actuarially determined contribution	Contribution deficiency (Excess)
2018	$ 9,776	$ -	$ 9,776

(1) This schedule is intended to present 10 years of information. GASB 75 was implemented in fiscal year 2018; additional years will be presented as the information becomes available.

(2) This OPEB plan does not depend on salary information.

1) OPEB - Trust Arrangement and Funding Policy

The Commission does not intend to establish a trust to pre-fund the obligation. The anticipated growth in the net OPEB liability is based on contributions to the benefit plan on a pay-as-you-go cost basis.

2) OPEB - Changes of Benefit Terms

There have been no actuarially material changes to the benefit provisions since the prior actuarial valuation.

3) OPEB - Changes of Assumptions

The following change in actuarial assumptions were made based on the most recent actuarial valuation:

Discount Rate	
June 30, 2017	2.85%
June 30, 2018	3.58%

See accompanying independent auditors' report.

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, 2018, 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 10, 2018.

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 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.

DHG
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 10, 2018

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, 2018, and have issued our report thereon date October 10, 2018.

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 no instances of noncompliance with the provisions referred to in the preceding paragraph. 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 10, 2018