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**PUBLIC DEFENDER CORPORATION  
FOR THE FIFTEENTH JUDICIAL CIRCUIT  
A COMPONENT UNIT OF THE STATE OF WEST VIRGINIA  
Regular Audit  
For the Fiscal Years Ended June 30, 2017 and 2016**

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- Association of Certified Anti - Money Laundering Specialists •

**PUBLIC DEFENDER CORPORATION  
FOR THE FIFTEENTH JUDICIAL CIRCUIT  
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## INDEPENDENT AUDITOR'S REPORT

September 8, 2017

Public Defender Corporation for the Fifteenth Judicial Circuit  
203 West Main Street  
Clarksburg, WV 26301

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the **Public Defender Corporation for the Fifteenth Judicial Circuit**, West Virginia, a component unit of the State of West Virginia (the Corporation), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Corporation's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Public Defender Corporation for the Fifteenth Judicial Circuit, West Virginia, as of June 30, 2017 and 2016, and the changes in financial position and cash flows thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the Corporation's basic financial statements taken as a whole.

The Schedule of Budget to Actual Expenses – Cash Basis presents additional analysis and is not a required part of the basic financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2017, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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 the Corporation's internal control over financial reporting and compliance.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

**PUBLIC DEFENDER CORPORATION  
FOR THE FIFTEENTH JUDICIAL CIRCUIT  
MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016  
UNAUDITED**

This discussion and analysis of the Public Defender Corporation of the Fifteenth Judicial Circuit of the State of West Virginia's financial performance provides an overview of the Corporation's financial activities for the fiscal years ended June 30, 2017 and 2016, and identifies changes in the Corporation's financial position.

**OVERVIEW OF BASIC FINANCIAL STATEMENTS**

These statements are in three parts — management's discussion and analysis (this section), the basic financial statements, and the required supplementary information related to the Corporation's pension plan. The Corporation's financial statements are prepared on the accrual basis of accounting and are reported in accordance with accounting principles generally accepted in the United States of America. These statements include the statements of net position, the statements of revenues, expenses and changes in net position, the statements of cash flows and the notes to the financial statements.

The Statement of Net Position presents the Corporation's assets, deferred outflows, liabilities, deferred inflows, and net position as of the date of the financial statements. Through this presentation one can discern the health of the Corporation by subtracting the liabilities and deferred inflows from the assets and deferred outflows. An increase or decrease in the Corporation's net position from one year to the next is an indicator of whether its financial health is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position reports revenues when earned and expenses when incurred. This means that all of the current year's revenues and expenses are included regardless of when cash is received or paid, thus providing a view of financial position that is similar to that presented by most private-sector companies. This statement summarizes the cost of providing legal defense services to those individuals charged with a violation of the law but who cannot afford an attorney to defend themselves or to represent indigent persons or juveniles and mental hygiene cases as appointed by the court.

**Financial Analysis of the Corporation**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Assets			
Capital assets	\$ 654	\$ 1,606	\$ 2,626
Other assets	283,967	205,163	159,805
Total Assets	<u>\$ 284,621</u>	<u>\$ 206,769</u>	<u>\$ 162,431</u>
Deferred outflow of resources	<u>\$ 247,795</u>	<u>\$ 142,646</u>	<u>\$ 89,123</u>
Liabilities			
Long-term liabilities	\$ 854,953	\$ 672,798	\$ 563,091
Short-term liabilities	39,154	41,378	35,013
Total Liabilities	<u>\$ 894,107</u>	<u>\$ 714,176</u>	<u>\$ 598,104</u>
Deferred inflow of resources	<u>\$ 31,361</u>	<u>\$ 103,212</u>	<u>\$ 198,505</u>
Net Position			
Invested in capital assets	\$ 654	\$ 1,606	\$ 2,626
Unrestricted	(393,706)	(469,579)	(547,681)
Total net position	<u>\$ (393,052)</u>	<u>\$ (467,973)</u>	<u>\$ (545,055)</u>

**PUBLIC DEFENDER CORPORATION  
FOR THE FIFTEENTH JUDICIAL CIRCUIT  
MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016  
UNAUDITED**

The Corporation's revenues are derived from funding from West Virginia Public Defender Services (WVPDS) and accordingly 99% of the Corporation's revenues were derived from this funding for the years ended June 30, 2017, 2016, and 2015.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating revenue	\$ 1,019,958	\$ 1,034,598	\$ 1,049,910
Operating expenses	<u>945,384</u>	<u>957,798</u>	<u>961,295</u>
Operating (loss) income	<u>74,574</u>	<u>76,800</u>	<u>88,615</u>
Non-operating revenue	<u>347</u>	<u>282</u>	<u>46</u>
Change in net position	<u>74,921</u>	<u>77,082</u>	<u>88,661</u>
Net position beginning of year	<u>(467,973)</u>	<u>(545,055)</u>	<u>(633,716)</u>
Net position at end of year	<u>\$ (393,052)</u>	<u>\$ (467,973)</u>	<u>\$ (545,055)</u>

**Detailed Financial Analysis of the Corporation**

Grant income decreased approximately \$17,390 and cash held by the Corporation increased by approximately \$170,000. Other post-employment benefit liability (OPEB), included in long-term liabilities, increased by approximately \$14,000 primarily due to the Corporation accruing invoiced amounts from West Virginia Public Employees Insurance Agency. The net pension liability increased approximately \$168,000, deferred outflows increased by 105,000, and deferred inflows decreased by 72,000, mostly due to poor investment performance of the assets of the West Virginia Public Employees Retirement System. All other assets and liabilities remained basically consistent with the prior period.

Operating expenses for the fiscal year decreased by approximately \$12,000. This decrease is mostly attributable to a decrease in personal services (\$34,000) and a decrease in office (\$9,000) offset by an increase in employee benefits (\$26,000).

**Capital Asset and Debt Activity**

As of June 30, 2017, 2016, and 2015, the Corporation had capital assets costing approximately \$34,000, \$34,000, and \$34,000, respectively. The Corporation's capital assets include furniture and fixtures, and office and computer equipment. The assets were being depreciated over useful lives of three to seven years. The accumulated depreciation on the assets amounted to approximately \$33,000, \$32,000, and \$31,000, respectively. There were no asset disposals during the current year. There were no purchases of capital assets for the years ended June 30, 2017, 2016, and 2015. The Corporation has no long term debt obligations other than the other post-employment benefit liability and the net pension liability. More detailed information is presented in the notes to the financial statements.

**Cash Management**

The Corporation's funds are deposited into a checking account at a national banking institution. Interest earned on the account for the years ended June 30, 2017, 2016, and 2015 amounted to approximately \$347, \$282, and \$151, respectively.

**PUBLIC DEFENDER CORPORATION  
FOR THE FIFTEENTH JUDICIAL CIRCUIT  
MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016  
UNAUDITED**

**Economic Factors and Next Year's Budget**

The West Virginia Public Defender Services, the Corporation's oversight agency, looked at various factors when approving the budget for the year ending June 30, 2018. Such factors considered include: the Corporation's case load in comparison to the number of professional and nonprofessional staff, the type, amount and rate of employee benefits, the anticipation of large or unusual cases which require additional resources, capital needs, as well as the operating environment and its operation needs.

For the year ending June 30, 2018, the Corporation has an approved budget of \$937,130. This represents a budget decrease of approximately 7.3 percent or \$73,379 from the prior year. Individual budget categories are generally comparable to financial statement line items of the 2017 fiscal year.

**Requests for Information**

The financial report is designed to provide an overview of the finances of the Corporation for those with an interest in the organization. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Corporation at 203 Main Street, Clarksburg, WV 26301.

**PUBLIC DEFENDER CORPORATION  
FOR THE FIFTEENTH JUDICIAL CIRCUIT  
STATEMENTS OF NET POSITION  
AS OF JUNE 30, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 283,726	\$ 114,061
Grant receivable	-	90,798
Prepaid expenses	241	304
Total current assets	283,967	205,163
Capital assets		
Computer and equipment	10,171	10,171
Furniture and fixtures	23,827	23,827
	33,998	33,998
Less accumulated depreciation	(33,344)	(32,392)
Capital assets, net	654	1,606
 Total assets	 284,621	 206,769
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension	247,795	142,646
 Total Assets and Deferred Outflows of Resources	 \$ 532,416	 \$ 349,415
 <b>LIABILITIES</b>		
Current liabilities		
Accrued expenses	\$ 12,574	\$ 10,330
Compensated absences	26,580	31,048
Total current liabilities	39,154	41,378
Long term liabilities		
Other post employment benefit liability	419,172	405,378
Net pension liability	435,781	267,420
Total long term liabilities	854,953	672,798
 Total liabilities	 894,107	 714,176
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension	31,361	103,212
 <b>NET POSITION</b>		
Net investment in capital assets	654	1,606
Unrestricted (Deficit)	(393,706)	(469,579)
Total net position	(393,052)	(467,973)
 Total Liabilities, Deferred Inflows of Resources and Net Position	 \$ 532,416	 \$ 349,415

The accompanying notes are an integral part of these financial statements.



**PUBLIC DEFENDER CORPORATION  
FOR THE FIFTEENTH JUDICIAL CIRCUIT  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>OPERATING REVENUES</b>		
WV Public Defender Services Grant Revenue	\$ 1,017,208	\$ 1,034,598
WVU Law Grant	2,750	-
Total operating revenues	<u>1,019,958</u>	<u>1,034,598</u>
<b>OPERATING EXPENSES</b>		
Personal services	632,973	667,432
Employee benefits	205,315	179,770
Support services	5,644	11,476
Administrative support	12,685	8,948
Office	76,561	85,655
Other	9,081	1,311
Acquisition	2,173	2,186
Depreciation	952	1,020
Total operating expenses	<u>945,384</u>	<u>957,798</u>
Operating income (loss)	<u>74,574</u>	<u>76,800</u>
<b>NONOPERATING REVENUES/(EXPENSES)</b>		
Interest income	<u>347</u>	<u>282</u>
Total nonoperating revenues/(expenses)	<u>347</u>	<u>282</u>
Change in net position	74,921	77,082
Net position, beginning of year	<u>(467,973)</u>	<u>(545,055)</u>
Net position, end of year	<u>\$ (393,052)</u>	<u>\$ (467,973)</u>

The accompanying notes are an integral part of these financial statements.

**PUBLIC DEFENDER CORPORATION  
FOR THE FIFTEENTH JUDICIAL CIRCUIT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from grants	\$ 1,110,756	\$ 946,712
Cash paid for expenses	(321,039)	(332,420)
Cash paid to employees	(620,399)	(657,102)
Net cash provided (used in) by operating activities	169,318	(42,810)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash received as interest	347	282
Net cash provided by investing activities	347	282
 Net increase (decrease) in cash and cash equivalents	169,665	(42,528)
 <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	114,061	156,589
 <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 283,726	\$ 114,061
 <b>RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 74,574	\$ 76,800
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:		
Depreciation	952	1,020
(Increase) decrease in operating assets		
Prepaid expenses	63	-
Deferred outflows	(105,149)	(53,523)
Grant receivable	90,798	(87,886)
Increase (decrease) in operating liabilities		
Accrued expenses	2,244	3,270
Compensated absences	(4,468)	3,095
Pension liability	168,361	85,235
Deferred outflows	(71,851)	(95,293)
Other postemployment benefit liability	13,794	24,472
Total adjustments	94,744	(119,610)
Net cash provided by (used in) operating activities	\$ 169,318	\$ (42,810)
Non-cash transactions	-	\$ -

The accompanying notes are an integral part of these financial statements.

**PUBLIC DEFENDER CORPORATION  
FOR THE FIFTEENTH JUDICIAL CIRCUIT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 1 - ORGANIZATION**

The Public Defender Corporation for the Fifteenth Judicial Circuit (the 'Corporation') is a not-for-profit Corporation created under authority of Article 21, Chapter 29 of the West Virginia State Code. The Corporation is a discretely presented component unit of the State of West Virginia and is funded by West Virginia Public Defender Services. The purpose of the Corporation is to provide high quality legal assistance to indigent persons, at no cost, who would be otherwise unable to afford adequate legal counsel.

Approximately 96% of the Corporation's revenues are utilized for program related purposes and 4% are for management and general purposes.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Corporation have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB"), including Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments*. The financial statement presentation required by GASB Statements No. 34 provides a comprehensive, entity-wide perspective of the Corporation's assets, revenues, expenses, changes in net position and cash flows.

Reporting Entity

The Corporation is a component unit of the State of West Virginia and is funded by West Virginia Public Defender Services. The West Virginia Public Defender Services is part of the general fund of the state's comprehensive annual financial report. The Corporation is a separate entity and is considered a discretely presented component unit of the State of West Virginia.

Net Position

Net position represents the difference between all other elements of the statement of net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowings used for acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Basis of Accounting

For financial accounting purposes, the Corporation is considered a special-purpose government entity engaged only in business-type activities. Accordingly, the Corporation's financial statements have been prepared on the accrual basis of accounting with a flow of economic resources measurement focus. Revenues are reported when earned and expenses when materials or services are received.

**PUBLIC DEFENDER CORPORATION  
FOR THE FIFTEENTH JUDICIAL CIRCUIT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Cash and Cash Equivalents

For purposes of the statement of net position, the Corporation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Capital Assets

Capital assets include furniture, fixtures and computer equipment. Capital assets are stated at cost at the date of acquisition or construction, or fair market value at the date of donation in the case of gifts. Depreciation is computed using accelerated and straight-line methods over the estimated useful lives of the assets, generally 3 to 7 years. The Corporation's capitalization threshold is \$1,000. Depreciation expense for the years ended June 30, 2017 and 2016 was \$952 and \$1,020, respectively.

Compensated Absences and Other Post Employment Benefits (OPEB)

Effective July 1, 2007, the Corporation adopted GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This statement provides standards for the measurement, recognition, and display of other postemployment benefit ("OPEB") expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State of West Virginia (the "State"). Effective July 1, 2007, the Corporation was required to participate in this multiple employer cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, sponsored by the State of West Virginia. The Plan provides the following retiree group insurance coverage to participants: medical and prescription drug coverage through a self-insured preferred provider benefit (PPB) plan and through external managed care organizations (MCOs), basic group life, accidental death, and prescription drug coverage for retired employees of the State and various related State and non-State agencies and their dependents. Details regarding this plan can be obtained by contacting Public Employees Insurance Agency ("PEIA"), State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard, East, Charleston WV 25305-0710 or <http://www.wvpeia.com>.

This statement requires entities to accrue for employees' rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned and payment becomes probable. Estimated obligations arise for vacation leave at the current rate of employee pay. Employees earn vacation leave based on years of service. Employees with less than 5 years of continuous full-time employment during any period earn 15 days per year. Employees with 5 years, but less than 10 years of full-time employment during any continuous 10-year period, earn 18 days per year, and employees with more than 10 years of full-time employment during any continuous period of 10 years or more, earn 21 days per year. Employees vest in a maximum of 20 days of unused vacation leave which is paid at the time of separation of employment.

**PUBLIC DEFENDER CORPORATION  
FOR THE FIFTEENTH JUDICIAL CIRCUIT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Additionally, the Corporation grants sick leave based on time worked. Full-time employees earn 18 sick leave days for each year of service with no maximum accumulation. The Corporation does not accrue any liability for sick leave because no amount is paid at the time of separation of employment. The liability is now provided for under the multiple employer cost-sharing plan sponsored by the State.

The estimated expense and expense incurred for the vacation leave and OPEB benefits are recorded as a component of employee benefits on the statement of revenues, expenses and changes in net position. OPEB costs are accrued based upon invoices received from RHBT Trust Fund based upon actuarial determined amounts. At June 30, 2017 and 2016, the noncurrent liability related to OPEB cost was \$419,172 and \$405,378. The total OPEB expense incurred was \$13,794 and \$24,472 for the fiscal years June 30, 2017 and 2016, respectively. There were no retirees receiving benefits as of June 30, 2017 and 2016.

Risk Management

The State's Board of Risk and Insurance Management ("BRIM") provides general and liability coverage to the Corporation and its employees. Such coverage may be provided to the Corporation by BRIM through self-insurance programs maintained by BRIM or policies underwritten by BRIM that may involve experience-related premiums or adjustments to BRIM.

BRIM engages an independent actuary to assist in the determination of its premiums so as to minimize the likelihood of premium adjustments to the Corporation or other participants in BRIM's insurance programs. As a result, management does not expect significant differences between the premiums the Corporation is currently charged by BRIM and the ultimate cost of that insurance based on the Corporation's actual loss experience. In the event such differences arise between estimated premiums currently charged by BRIM to the Corporation and the Corporation's ultimate actual loss experience, the difference will be recorded, as the change in estimate becomes known.

The Corporation obtained property and casualty coverage for itself and its employees through a third-party insurance company. Any loss in excess of \$1,000,000 will be the responsibility of the Corporation.

In addition, through its participation in the West Virginia Public Employees Insurance Agency (PEIA) and a third-party insurer, the Corporation has obtained health, life, prescription drug coverage, and coverage for job related injuries for its employees. In exchange for payment of premiums to PEIA and the third-party insurer, the Corporation has transferred its risks related to health, life, prescription drug coverage, and job related injuries.

West Virginia had a single private insurance company, BrickStreet Insurance, which provided workers' compensation coverage to all employers in the state. Other private insurance companies began to offer coverage to private-sector employers July 1, 2008 and began to offer coverage to government employers beginning July 1, 2010. Nearly every employer in the State, who has a payroll, must have coverage. The cost of all coverage is paid by the employers. BrickStreet retains the risk related to the compensation of injured employees under the program.

**PUBLIC DEFENDER CORPORATION  
FOR THE FIFTEENTH JUDICIAL CIRCUIT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Revenue Sources

The Corporation has classified its revenues according to the following criteria:

*Operating revenues* – Operating revenues include activities that have the characteristics of exchange transactions, such as most federal, state, local, and nongovernmental grants and contracts.

*Nonoperating revenues* — Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenues that are defined as nonoperating revenues by GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting and GASB Statement No. 34, such as state appropriations and investment income.

Income Taxes

The Corporation is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. The Corporation is classified by the Internal Revenue Service as a non-private foundation. The Corporation adopted the income standard related to the recognition and measurement of uncertain tax positions. The adoption of this standard had no financial statement effect and the Corporation is no longer subject to federal or state tax examinations for the years prior to 2014.

Use of 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of the resources related to pensions, and pension expense, information about the fiduciary net position of the Corporation's Public Employee Retirement System (PERS) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**NOTE 3 - DEFINED BENEFIT RETIREMENT PLAN**

*Plan Descriptions, Contribution Information, and Funding Policies*

The Public Defender Corporation participates in the Public Employees Retirement System (PERS), a statewide, cost-sharing, multiple-employer defined benefit plan, on behalf of its employees. The system is administered by agencies of the State of West Virginia and funded by contributions from participants, employers, and State appropriations as necessary.

**PUBLIC DEFENDER CORPORATION  
FOR THE FIFTEENTH JUDICIAL CIRCUIT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 3 - DEFINED BENEFIT RETIREMENT PLAN (Continued)**

The Corporation's cost sharing multiple-employer plan is administered by the Consolidated Public Retirement Board (CPRB), which acts as a common investment and administrative agent for all of the participating employers. CPRB issues publicly available reports that include a full description of the pension plans-regarding benefit provisions, assumptions and membership information that can be found on the CPRB website at [www.wvretirement.com](http://www.wvretirement.com). The following is a summary of eligibility factors, contribution methods, and benefit provisions:

Public Employees Retirement System (PERS)

Eligibility to participate	All full-time employees, except those covered by other pension plans
----------------------------	--

Authority establishing contribution obligations and benefit provisions	State Statute
--	---------------

Plan member's contribution rate:

Member hired on or before June 30, 2015	4.5%
---	------

Member hired on or after July 1, 2015	6.0%
---------------------------------------	------

Employer's contribution rate	12.0%
------------------------------	-------

Period request to vest	Five years
------------------------	------------

Benefit and eligibility for distribution:

Member hired on or before June 30, 2015	A member who has attained age 60 and has earned 5 years or more of contributing service or age 55 if the sum of his/her age plus years of credited service is equal to or greater than 80. The final average salary (three highest consecutive years in the last 15) times the years of service times 2% equals the annual retirement benefit.
---	--

Member hired on or after July 1, 2015	A member who has attained age 62 and has earned 10 years or more of contributing service or age 55 if the sum of his/her age plus years of credited service is equal to or greater than 80. The final average salary (five highest consecutive years in the last 15) times the years of service times 2% equals the annual retirement benefit.
---------------------------------------	--

**PUBLIC DEFENDER CORPORATION  
FOR THE FIFTEENTH JUDICIAL CIRCUIT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 3 - DEFINED BENEFIT RETIREMENT PLAN (Continued)**

Deferred retirement option	No
Provisions for	
Cost of living	No
Death benefit	Yes

The Corporation's contributions to the West Virginia Public Employees Retirement System for the year ended June 30, 2017 is as follows:

<u>Percentage of Payroll</u>	<u>Total Wages</u>	<u>Coverage Wages</u>	<u>Amount Contributed</u>
Employer Share - 12%	\$ 620,956	\$ 620,956	\$ 74,515
Tier 1 Employee Share - 4.5%	533,452	533,452	24,005
Tier 2 Employee Share - 6%	87,504	87,504	5,250

The Corporation's contributions to the West Virginia Public Employees Retirement System for the year ended June 30, 2016 is as follows:

<u>Percentage of Payroll</u>	<u>Total Wages</u>	<u>Coverage Wages</u>	<u>Amount Contributed</u>
Employer Share - 13.5%	\$ 651,900	\$ 651,900	\$ 87,952
Tier 1 Employee Share - 4.5%	608,988	608,988	27,404
Tier 2 Employee Share - 6%	42,912	42,912	2,575

***Trend Information***

**Public Employees Retirement System (PERS)**

Fiscal Year	Annual Pension Cost	Percentage Contribution
2017	\$ 74,515	100%
2016	\$ 87,952	100%
2015	\$ 90,924	100%

For 2017, the required contribution was \$74,515. Of this amount, \$0 is reported in accrued expenses.

PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to the Public Employees Retirement System, 4101 MacCorkle Avenue, SE, Charleston, WV 25304.



**PUBLIC DEFENDER CORPORATION  
FOR THE FIFTEENTH JUDICIAL CIRCUIT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 3 - DEFINED BENEFIT RETIREMENT PLAN (Continued)**

***Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions***

At June 30, 2017 and 2016, the Corporation reported the following liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of July 1, 2015 and 2014, and rolled forward to June 30, 2016 and 2015, using the actuarial assumptions and methods described in the appropriate section of this note. The Corporation's proportion of the net pension liability was based on a projection of the Corporation's long-term share of contributions to the pension plan relative to the projected contributions of all participating governments, actuarially determined.

At June 30, 2017 and 2016, the Corporation reported the following proportions, and increase/decreases from its proportion reported as of June 30, 2016 and 2015:

	<u>2016</u>		<u>2015</u>
Amount for proportionate share of net pension liability	\$ 435,781		\$ 267,420
Percent for proportionate share of net pension liability	0.047413	%	0.047890
			%
Increase (decrease) % from prior proportion measured	-0.000477	%	-0.001474
			%

For the years ended June 30, 2017 and 2016, the Corporation recognized the following pension expenses.

	<u>2017</u>	<u>2016</u>
Pension expense	<u>\$ 65,876</u>	<u>\$ 26,214</u>

The Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

As of June 30, 2017:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 21,231
Differences between expected and actual experience	36,341	-
Net difference between projected and actual earnings on pension plan investments	136,939	-
Changes in proportion and differences between Corporation contributions and proportionate share of contributions	-	10,130
Corporation contributions subsequent to the measurement date	74,515	-
	<u>\$ 247,795</u>	<u>\$ 31,361</u>

**PUBLIC DEFENDER CORPORATION  
FOR THE FIFTEENTH JUDICIAL CIRCUIT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 3 - DEFINED BENEFIT RETIREMENT PLAN (Continued)**

As of June 30, 2016:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 32,166
Differences between expected and actual experience	54,694	-
Net Difference between projected and actual earnings on pension plan investments	-	58,640
Changes in proportion and differences between Corporation contributions and proportionate share of contributions	-	12,406
Corporation's contributions subsequent to the measurement date	87,952	-
	<u>\$ 142,646</u>	<u>\$ 103,212</u>

The amount reported as of June 30, 2017, as deferred outflows of resources related to pensions resulting from the Corporation's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2018	\$ 18,321
2019	19,745
2020	61,763
2021	42,090
2022	-
Thereafter	-
Total	<u>\$ 141,919</u>

*Actuarial assumptions*

The total pension liability was determined by actuarial valuations as of July 1, 2015 and 2014, and rolled forward to June 30, 2016 and 2015, using the following actuarial assumptions, applied to all periods included in the measurement.

**PUBLIC DEFENDER CORPORATION  
FOR THE FIFTEENTH JUDICIAL CIRCUIT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 3 - DEFINED BENEFIT RETIREMENT PLAN (Continued)**

**Public Employees Retirement System**

Actuarial assumptions

Measurement Date

of June 30,

2016

2015

Inflation rate	3.00%	1.90%
Salary increases	3.35%-6.00%	3.35%-6.00%
Investments Rate of Return	7.50%	7.50%
Mortality rate	Healthy males – 110% of RP-2000 Non-Annuitant, Scale AA, fully generational Healthy females – 101% of RP-2000 Non-Annuitant, Scale AA, fully generational Disabled males – 96% of RP-2000 Disabled Annuitant, Scale AA, fully generational Disabled Females – 107% of RP-2000 Disabled Annuitant, Scale AA, fully generational	Healthy males – 110% of RP-2000 Non-Annuitant, Scale AA Healthy females – 101% of RP-2000 Non-Annuitant, Scale AA Disabled males – 96% of RP-2000 Disabled Annuitant, Scale AA Disabled Females – 107% of RP-2000 Disabled Annuitant, Scale AA
Date range in most recent experience study	2009-2014	2009-2014

The long-term expected rate of return on pension plan investments was determined using a building-block method in which estimates of expected real rates of returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Geometric rates of return summarized in the following table include the inflation component and were used for the PERS defined benefit plan:

**PUBLIC DEFENDER CORPORATION  
FOR THE FIFTEENTH JUDICIAL CIRCUIT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 3 - DEFINED BENEFIT RETIREMENT PLAN (Continued)**

Measurement date of June 30,	2016		2015	
	Long-term expected Real Rate of Return	PERS Target Asset Allocation	Long-term expected Real Rate of Return	PERS Target Asset Allocation
<u>Investment</u>				
US Equity (Russell 3000)	7.0 %	27.5%	7.0%	27.5%
International Equity (ACWI ex US)	7.7 %	27.5%	7.7%	27.5%
Fixed income	2.7 %	7.5%	2.7%	7.5%
High Yield	5.5 %	7.5%	5.5%	7.5%
Real Estate	7.0 %	10.0%	5.6%	10.0%
Private Equity	9.4 %	10.0%	9.4%	10.0%
Hedge Fund	4.7 %	10.0%	4.7%	10.0%
		<u>100.0%</u>		<u>100.0%</u>

*Discount rate.* The discount rate used to measure the total pension liability was 7.5 percent for all defined benefit plans. The projection of cash flows used to determine the discount rates assumed that employer contributions will continue to follow the current funding policies. Based on those assumptions, the fiduciary net position for each defined benefit pension plan was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rates of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liabilities of each plan.

The following chart presents the sensitivity of the net pension liability to changes in the discount rate calculated using the discount rates as used in the actuarial evaluation, and what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage point higher than the current rate:

	1% Decrease <u>6.50%</u>	Current Discount Rate <u>7.50%</u>	1% Increase <u>8.50%</u>
Corporation's proportionate share of PERS's net pension liability as of the reporting date of:			
June 30, 2017	\$ 788,834	\$ 435,781	\$ 135,948
June 30, 2016	\$ 616,740	\$ 267,420	\$ (27,703)

*Pension plans' fiduciary net position.* Detailed information about the pension plans' fiduciary net position is available in the separately issued financial report available at the Consolidated Public Retirement Board's website at [www.wvretirement.com](http://www.wvretirement.com). That information can also be obtained by writing to the West Virginia Consolidated Public Retirement Board, 4101 MacCorkle Avenue SE, Charleston, WV 25304.

**PUBLIC DEFENDER CORPORATION  
FOR THE FIFTEENTH JUDICIAL CIRCUIT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 4 - CONCENTRATIONS**

The Corporation maintains its account balances in a national financial institution. The accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Corporation's bank balance at June 30, 2017 and 2016 was \$283,726 and \$114,061 respectively. At year end, the Corporation had uninsured deposits totaling \$33,726.

The Corporation receives virtually all of its funding from West Virginia Public Defender Services. A significant reduction in this level of support would have a significant adverse effect on the Corporation.

**NOTE 5 – OPERATING LEASES**

The Corporation leases copiers and a facility under operating lease agreements. Aggregate payments under these agreements were \$48,000 and \$53,639 for the years ended June 30, 2017 and 2016. Future minimum rental commitments under the leases are as follows:

<u>Year Ended June 30:</u>		<u>Amount</u>
2018	\$	45,000
2019		45,000
2020		45,000
2021		15,000
2022		-
Thereafter		-
Total	\$	<u>150,000</u>

**NOTE 6 - CONTINGENCIES**

The Corporation is on a reimbursement plan with the State of West Virginia, WorkforceWV, Unemployment Compensation Division, (Workforce) whereby they no longer pay quarterly premiums. When a liability arises regarding the payment of unemployment, the Corporation will be assessed 100% of the awarded claim filed and payment to Workforce would be made at that time. Any liability arising from the dismissal of employment is uncertain at this time; however, management believes such amounts if any to be immaterial.

The Corporation's programs are funded from state sources, principal of which is programs of the West Virginia Public Defender Services. State grants received for specific purposes are subject to audit and review by grantor agencies. Such audits and reviews could result in requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grants. The amount, if any, of expenditures which may be disallowed by grantor agencies cannot be determined at this time, although management believes such amounts, if any, to be immaterial.

**NOTE 7 - CASH HELD AT FISCAL YEAR END**

At June 30, 2017 and 2016, the Corporation held cash and cash equivalents of \$283,726 and \$114,061, respectively, consisting of unexpended West Virginia Public Defender Service grant funds. West Virginia Public Defender Services considered this amount in determining the succeeding fiscal year budget necessary to fund the Corporation's normal operating activities.

**PUBLIC DEFENDER CORPORATION  
FOR THE FIFTEENTH JUDICIAL CIRCUIT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 8 – CAPITAL ASSETS**

The following is a summary of the changes in capital assets for the year ended June 30, 2017:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated:				
Computer Equipment	\$ 10,171	\$ -	\$ -	\$ 10,171
Furniture and Fixtures	23,827	-	-	23,827
Less: Accumulated Depreciation:				
Computer Equipment	(8,626)	(891)	-	(9,517)
Furniture and Fixtures	(23,766)	(61)	-	(23,827)
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	<u>1,606</u>	<u>(952)</u>	<u>-</u>	<u>654</u>
 Total Capital Assets Net Accumulated Depreciation	 <u>\$ 1,606</u>	 <u>\$ (952)</u>	 <u>\$ -</u>	 <u>\$ 654</u>

The following is a summary of the changes in capital assets for the year ended June 30, 2016:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated:				
Computer Equipment	\$ 10,171	\$ -	\$ -	\$ 10,171
Furniture and Fixtures	23,827	-	-	23,827
Less: Accumulated Depreciation:				
Computer Equipment	(7,677)	(949)	-	(8,626)
Furniture and Fixtures	(23,695)	(71)	-	(23,766)
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	<u>2,626</u>	<u>(1,020)</u>	<u>-</u>	<u>1,606</u>
 Total Capital Assets Net Accumulated Depreciation	 <u>\$ 2,626</u>	 <u>\$ (1,020)</u>	 <u>\$ -</u>	 <u>\$ 1,606</u>

**PUBLIC DEFENDER CORPORATION  
FOR THE FIFTEENTH JUDICIAL CIRCUIT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 9 – LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the Corporation during the year ended June 30, 2017 were as follows:

	<u>Balance at June 30, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2017</u>	<u>Due Within One Year</u>
OPEB	\$ 405,378	\$ 13,794	\$ -	\$ 419,172	\$ -
Compensated Absences	31,048	-	4,468	26,580	26,580
Net Pension Liability	<u>267,420</u>	<u>168,361</u>	<u>-</u>	<u>435,781</u>	<u>-</u>
Total	<u>\$ 703,846</u>	<u>\$ 182,155</u>	<u>\$ 4,468</u>	<u>\$ 881,533</u>	<u>\$ 26,580</u>

Changes in long-term obligations of the Corporation during the year ended June 30, 2016 were as follows:

	<u>Balance at June 30, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2016</u>	<u>Due Within One Year</u>
OPEB	\$ 380,906	\$ 24,472	\$ -	\$ 405,378	\$ -
Compensated Absences	27,953	3,095	-	31,048	31,048
Net Pension Liability	<u>182,185</u>	<u>85,235</u>	<u>-</u>	<u>267,420</u>	<u>-</u>
Total	<u>\$ 591,044</u>	<u>\$ 112,802</u>	<u>\$ -</u>	<u>\$ 703,846</u>	<u>\$ 31,048</u>

**NOTE 10 – SUBSEQUENT EVENTS**

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the organization through September 8, 2017, (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

**PUBLIC DEFENDERS CORPORATION  
FIFTEENTH JUDICIAL CIRCUIT  
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2017**

**Public Employees Retirement System**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Corporation's proportion of the net pension liability (asset) (percentage)	0.047413%	0.047890%	0.049364%	0.050192%
Corporation's proportionate share of the net pension liability (asset)	\$ 435,781	\$ 267,420	\$ 182,185	\$ 457,566
Corporation's covered-employee payroll	\$ 651,496	\$ 649,457	\$ 661,041	\$ 648,621
Corporation's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	66.89%	41.18%	27.56%	70.54%
Plan fiduciary net position as a percentage of the total pension liability	86.11%	91.29%	94.23%	79.70%

**Information prior to fiscal year 2013 is not available.**

\*Will be built prospectively.



**PUBLIC DEFENDERS CORPORATION  
FIFTEENTH JUDICIAL CIRCUIT  
SCHEDULE OF CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2017**

**Public Employees Retirement System**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined contribution	\$ 74,515	\$ 87,952	\$ 90,924	\$ 95,851	\$ 94,050
Actual contribution	<u>(74,515)</u>	<u>(87,952)</u>	<u>(90,924)</u>	<u>(95,851)</u>	<u>(94,050)</u>
Contribution deficit (surplus)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Corporation's covered-employee payroll	\$ 620,958	\$ 651,496	\$ 649,457	\$ 661,041	\$ 648,621
Actual contribution as a percentage of covered-employee payroll	12.00%	13.50%	14.00%	14.50%	14.50%

**This chart will be built prospectively.**

**PUBLIC DEFENDER CORPORATION  
FOR THE FIFTEENTH JUDICIAL CIRCUIT  
SCHEDULE OF BUDGET TO ACTUAL EXPENSES - CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Under/(Over) Budget to Actual</u>
Personal services	\$ 678,475	\$ 635,198	\$ 43,277
Employee benefits	226,362	200,096	26,266
Support services	15,762	5,644	10,118
Administrative support	11,850	12,685	(835)
Office	80,860	76,561	4,299
Other	1,500	9,081	(7,581)
Acquisition	2,400	2,173	227
Total operating expenses	<u>\$ 1,017,209</u>	<u>\$ 941,438</u>	<u>\$ 75,771</u>



313 Second St.  
Marietta, OH 45750  
740.373.0056

1907 Grand Central Ave.  
Vienna, WV 26105  
304.422.2203

104 South Sugar St.  
St. Clairsville, OH 43950  
740.695.1569

1310 Market St., Suite 300  
Wheeling, WV 26003  
304.232.1358

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

September 8, 2017

Public Defender Corporation for the Fifteenth Judicial Circuit  
203 West Main Street  
Clarksburg, WV 26301

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the **Public Defender Corporation for the Fifteenth Judicial Circuit**, a component unit of the State of West Virginia (the Corporation) as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated September 8, 2017.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Corporation's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Corporation's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.



**...“bringing more to the table”**

Tax- Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll  
Litigation Support – Financial Investigations

Members: American Institute of Certified Public Accountants

- Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
- Association of Certified Anti - Money Laundering Specialists •



***Compliance and Other Matters***

As part of reasonably assuring whether the Corporation's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We noted a certain matter not requiring inclusion in this report that we reported to the Corporation's management in a separate letter dated September 8, 2017.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Perry and Associates**  
Certified Public Accountants, A.C.  
*Marietta, Ohio*