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Certified Public Accountants, A.C.

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

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...“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

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- Association of Certified Anti - Money Laundering Specialists •

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

December 23, 2016

Public Defender Corporation for the Fourth Judicial Circuit
320 Juliana Street
Suite 101
Parkersburg, WV 26101

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the **Public Defender Corporation for the Fourth Judicial Circuit**, West Virginia, a component unit of the State of West Virginia (the Corporation), as of and for the year ended June 30, 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.



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

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 Fourth Judicial Circuit, West Virginia, as of June 30, 2016, and the changes in financial position and cash flows thereof for the year 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*, 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 December 23, 2016, 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 FOURTH JUDICIAL CIRCUIT
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016
UNAUDITED**

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

OVERVIEW OF BASIC FINANCIAL STATEMENTS

These statements are in two parts — management's discussion and analysis (this section) and the basic financial statements. 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 decipher the health of the Corporation by taking the difference between the assets and liabilities. 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 as appointed by the court.

Financial Analysis of the Corporation

	2016
Assets	
Capital Assets	\$ 192,191
Other Assets	769,784
Total Assets	\$ 961,975
Liabilities	
Long-term Liabilities	\$ 1,596
Short-term Liabilities	45,644
Total Liabilities	47,240
Net Position	
Net Investment in Capital Assets	192,191
Unrestricted	722,544
Total Net Position	\$ 914,735

**PUBLIC DEFENDER CORPORATION
FOR THE FOURTH JUDICIAL CIRCUIT
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 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 year ended June 30, 2016.

	2016
Operating Revenue	\$ 1,698,500
Operating Expenses	783,765
Operating Income (Loss)	914,735
Net Position at Beginning of Year	-
Net Position at End of Year	\$ 914,735

Detailed Financial Analysis of the Corporation

Operating revenues for the fiscal year were \$1,698,500.

The Corporation began accepting clients beginning in January 2016, and operating expenses for the fiscal year totaled approximately \$784,000.

Capital Asset and Debt Activity

As of June 30, 2016, the Corporation had capital assets costing \$227,585. The Corporation's capital assets include furniture and fixtures, office and computer equipment, leasehold improvements and organizational costs. The assets were being depreciated over useful lives of three to ten years. The accumulated depreciation on the assets amounted to \$35,394. There were no asset disposals during the current year. More detailed information is presented in Note 6 to the financial statements. The Corporation had no debt for the year ended June 30, 2016.

Cash Management

The Corporation's funds are deposited into a checking account at a national banking institution. The account earns no interest.

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, 2017. 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, 2017, the Corporation has an approved budget of \$1,182,980. This represents a budget decrease of approximately 8.9 percent or \$115,200 from the prior year. Individual budget categories have comparable decreases to budgeted categories of the prior budget year.

**PUBLIC DEFENDER CORPORATION
FOR THE FOURTH JUDICIAL CIRCUIT
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016
UNAUDITED**

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 Public Defender Corporation, 4th Judicial Circuit, 320 Juliana Street, Suite 101, Parkersburg, WV 26101.

**PUBLIC DEFENDER CORPORATION
FOR THE FOURTH JUDICIAL CIRCUIT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2016**

	2016
ASSETS	
Current assets	
Cash and cash equivalents	\$ 769,784
Total current assets	769,784
Capital assets	
Computer and equipment	84,080
Furniture and fixtures	103,160
Leasehold improvements	10,345
Organizational cost	30,000
	227,585
Less accumulated depreciation	(35,394)
Capital assets, net	192,191
 Total Assets	 \$ 961,975
LIABILITIES	
Current liabilities	
Accrued expenses	\$ 29,221
Compensated absences	16,423
Total current liabilities	45,644
Long term liabilities	
Other post employment benefit liability	1,596
Total long term liabilities	1,596
 Total liabilities	 47,240
NET POSITION	
Net investment in capital assets	192,191
Unrestricted	722,544
Total net position	914,735
 Total Liabilities and Net Position	 \$ 961,975

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

**PUBLIC DEFENDER CORPORATION
FOR THE FOURTH JUDICIAL CIRCUIT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016**

	2016
OPERATING REVENUES	
WV Public Defender Services Grant Revenue	\$ 1,698,500
Total operating revenues	1,698,500
OPERATING EXPENSES	
Personal services	433,915
Employee benefits	124,212
Support services	38,096
Administrative support	14,472
Office	81,577
Other	4,398
Acquisition	51,701
Depreciation	35,394
Total operating expenses	783,765
Operating income (loss)	914,735
Net position, beginning of year	-
Net position, end of year	\$ 914,735

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

**PUBLIC DEFENDER CORPORATION
FOR THE FOURTH JUDICIAL CIRCUIT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from grants	\$ 1,698,500
Cash paid for goods and services	(267,216)
Cash paid to employees	(433,915)
Net cash provided by (used in) operating activities	<u>997,369</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(227,585)
Net cash provided by (used in) capital and related financing activities	<u>(227,585)</u>
Net increase (decrease) in cash and cash equivalents	<u>769,784</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>-</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 769,784</u>
RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	
Operating income (loss)	\$ 914,735
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:	
Depreciation	35,394
Increase (decrease) in operating liabilities	
Accrued expenses	29,221
Compensated absences	16,423
Other postemployment benefit liability	1,596
Total adjustments	<u>82,634</u>
Net cash provided by (used in) operating activities	<u>\$ 997,369</u>

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

**PUBLIC DEFENDER CORPORATION
FOR THE FOURTH JUDICIAL CIRCUIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Reporting Entity

The Public Defender Corporation for the Fourth 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.

Component units are legally separate organizations for which the Corporation is financially accountable. The Corporation is financially accountable for an organization if it appoints a voting majority of the organization's governing board and (1) is able to significantly influence the programs or services performed or provided by the organization; or (2) is legally entitled to or can otherwise access the organization's recourses; is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or is obligated for the debt of the organization. Based upon the application of these criteria, the Corporation has no component units.

The Corporation's management believes these financial statements present all activities for which the Corporation is financially accountable.

Enterprise Funds

Enterprise funds are accounted for in a manner similar to private business enterprises where the intent of management is that the costs and expenses, including depreciation, of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges and/or where management has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control and accountability.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accounting policies of the Corporation conform to accounting policies generally accepted in the United States of America. For financial statement presentation purposes, the Corporation utilizes the accrual basis of accounting. Under this method of accounting, revenues are recognized when they are earned. Expenses are recognized under the accrual basis of accounting when the liability is incurred.

The Corporation's operations are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with operations are included on the statement of net position. Net position is segregated based on restrictions imposed. The categories of net position are net investment in capital assets, restricted and unrestricted. The statement of revenues, expenses and changes in net position presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

**PUBLIC DEFENDER CORPORATION
FOR THE FOURTH JUDICIAL CIRCUIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For the purpose of the statement of cash flows and for the presentation on the statement of net position, the Corporation considers all highly liquid investments with a maturity when purchased of three months or less to be cash equivalents.

Capital Assets

Capital assets are stated at cost. The Corporation provides for depreciation of capital assets on the straight-line method based upon estimated service lives. The Corporation's threshold for asset capitalization is \$1,000.

Estimated useful lives of the assets are as follows:

Office Equipment	1-5 years
Furniture and Fixtures	7-10 years
Leasehold Improvements	10 years
Organizational Costs	10 years

Net Position

Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the Corporation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Corporation's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. No portion of the Corporation's net position was restricted at June 30, 2016.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Inventory

Materials and supplies are expensed at the time of purchase. Therefore, no inventory amounts are reflected in the accompanying financial statements.

Insurance

Property and liability insurance coverage is considered adequate in the circumstances. See Note 5.

**PUBLIC DEFENDER CORPORATION
FOR THE FOURTH JUDICIAL CIRCUIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary

The Corporation is not legally required to establish an annual budget, however the Corporation does approve a budget and monitor it internally.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Corporation, these revenues are grants from West Virginia Public Defender Services.

Operating expenses are those expenses that are expended directly for the primary activity of the proprietary fund. For the Corporation, these expenses are primarily administrative, benefits, maintenance and operations, depreciation, and travel expenses.

Adoption of Accounting Pronouncement

The Corporation adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68. The objective of these statements is to improve decision-usefulness of information in employer entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. Decision-usefulness and accountability will also be enhanced through new note disclosure and required supplementary information.

Income Taxes

The Corporation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income tax has been recorded in the accompanying financial statements.

Accounting principles generally accepted in the United States require management to evaluate tax positions taken by the Corporation and recognize a tax liability (or asset) if the Corporation has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service (IRS). Management has analyzed the tax positions taken by the Corporation, and has concluded that as of June 30, 2016, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Corporation is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress.

NOTE 2 CASH HELD AT FISCAL YEAR END

At June 30, 2016, the Corporation held cash and cash equivalents of \$769,784 consisting of unexpended West Virginia Public Defender Service grant funds. West Virginia Public Defender Services considered this amount in determining the appropriate level of disbursements in the succeeding fiscal year necessary to fund the Corporation's normal operating activities.

**PUBLIC DEFENDER CORPORATION
FOR THE FOURTH JUDICIAL CIRCUIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 3 COMPENSATED ABSENCES AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual vacation balances. Estimated obligations arise for vacation leave at the current rate of employee pay. 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 20 days per year.

Also, the Corporation grants sick leave based on time worked. Full-time employees earn 20 sick 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. Upon retirement an employee may elect to use any accrued sick leave balances to increase their years of service at retirement but do not have the option for the Corporation to pay them a cash payout.

Retirement Health Plan

The Corporation contributes to the West Virginia Retiree Health Benefits Trust (RHBT), a cost-sharing, multiple employer defined benefit post-employment healthcare plan administered by the West Virginia Public Employees Insurance Agency (PEIA). RHBT provides medical benefit to eligible retired employees of participating employers. RHBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to: West Virginia Retiree health Benefits Trust, Building 5, Room 1001, 1900 Kanawha Boulevard East, Charleston, West Virginia, 25305-0710.

Chapter 5, Article 16D of the West Virginia Code assigns the authority to establish and amend benefits and provisions to the RHBT. Plan members are currently required to contribute \$164 per month per active health policy. Participating employers are contractually required to contribute at a rate assessed each year by RHBT. The RHBT board sets the employer contribution rate based on the annual required contributions (ARC) of the plan, an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board (GASB) Statement No. 45.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The Board's contribution to RHBT for the year ended June 30, 2016 was \$ 9,128, which represents 100.00% of the required contribution this year.

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PLANS

Public Employee Retirement System (PERS)

The Corporation participates in a statewide, cost-sharing, multiple employer defined benefit plan on behalf of the general Corporation 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 FOURTH JUDICIAL CIRCUIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PLANS (CONTINUED)

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

Percentage of Payroll	Total Wages	Covered Wages	Amount Contributed
Employer Share - 13.50%	\$ 415,294	\$ 408,834	\$ 51,367
Tier 1 Employee Share - 4.50%	\$ 331,559	\$ 325,099	\$ 14,629
Tier 2 Employee Share - 6%	\$ 83,735	\$ 83,735	\$ 3,768

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.

NOTE 5 RISK MANAGEMENT

The Corporation is exposed to various risks or loss related to torts, theft, or damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Board, pursuant to the provisions of State law, participates in the following risk management programs administered by the State.

Board of Risk and Insurance Management (BRIM)

The Corporation participates in the West Virginia Board of Risk and Insurance Management, a common risk insurance pool for all State agencies, component units, board of education, and other local governmental agencies who wish to participate. The Corporation pays an annual premium to BRIM for its general insurance coverage. Fund underwriting and rate setting policies are established by BRIM. The cost of all coverage as determined by BRIM is paid by the participants. The BRIM risk pool retains the risk of the first \$2 million per property event and purchases excess insurance on losses above that level. BRIM has \$1 million per occurrence coverage maximum on all third-party liability claims.

Public Employees Insurance Agency (PEIA)

The Board provides employees health and basic life insurance benefits through the Public Employees Insurance Agency. PEIA was established by the State of West Virginia to provide a program of health and life insurance for employees of State agencies, institutions of higher learning, boards of education, and component units of the State. In addition, local governmental agencies and certain charitable and public service organizations may request to be covered. PEIA provides a general employee benefit insurance program which includes hospital, surgical, major medical, prescription drug and basic life and accidental death. Fund underwriting and rate setting policies are established by the PEIA Finance Board. The cost of all coverage as determined by the Finance Board is paid by the participants.

Coverage under these programs is limited to \$1 million lifetime for health and \$10,000 of life insurance coverage. Members may purchase up to an additional \$500,000 of life insurance coverage. Premiums are established by PEIA and are paid monthly. The PEIA risk pool retains the risk for the health and prescription features of its indemnity plan, has fully transferred the risks of coverage of the Managed Care Organization (MCO) Plan to the plan provider and has transferred risk of life insurance coverage to a third party insurer.

**PUBLIC DEFENDER CORPORATION
FOR THE FOURTH JUDICIAL CIRCUIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 5 RISK MANAGEMENT (CONTINUED)

Workers Compensation Fund (WCF)

West Virginia has a single private insurance company, BrickStreet Insurance, which provides workers' compensation coverage to all employers in the state. Other private insurance companies began offering coverage to private-sector employers beginning July 1, 2008 and to government employers July 1, 2012. Nearly every employer in the State, including all boards of education, which have a payroll, must have coverage. The cost of all coverage, as determined by BrickStreet, is paid by the employers.

The WCF risk pool retains the risk related to the compensation of injured employees under the program.

Other Commercial Coverage

The Corporation is exposed to various other risks of loss related to torts; theft of, or damage to and destruction of assets; errors and omissions; injuries to employees; terrorism; natural disasters; and employee dishonesty for which the Corporation purchases commercial insurance coverage.

During the year ended June 30, 2016 the Corporation did not reduce insurance coverage's from coverage levels in place as of July 1, 2015. No settlements have exceeded coverage levels in place.

NOTE 6 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Being Depreciated:				
Computer and Equipment	\$ -	\$ 84,080	\$ -	\$ 84,080
Furniture and Fixtures	-	103,160	-	103,160
Leasehold Improvements	-	10,345	-	10,345
Organizational Costs	-	30,000	-	30,000
Less: Accumulated Depreciation:				
Computer and Equipment	-	(16,816)	-	(16,816)
Furniture and Fixtures	-	(14,544)	-	(14,544)
Leasehold Improvements	-	(1,034)	-	(1,034)
Organizational Costs	-	(3,000)	-	(3,000)
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	-	192,191	-	192,191
Total Capital Assets Net Accumulated Depreciation	\$ -	\$ 192,191	\$ -	\$ 192,191

**PUBLIC DEFENDER CORPORATION
FOR THE FOURTH JUDICIAL CIRCUIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 7 LONG-TERM OBLIGATIONS

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

	Balance at June 30, 2015	Additions	Retirements	Balance at June 30, 2016	Due Within One Year
Compensated Absences	\$ -	\$ 16,423	\$ -	\$ 16,423	\$ 16,423
OPEB	-	1,596	-	1,596	-
Total	<u>\$ -</u>	<u>\$ 18,019</u>	<u>\$ -</u>	<u>\$ 18,019</u>	<u>\$ 16,423</u>

NOTE 8 OPERATING LEASES

The Corporation leases copiers and a facility under operating lease agreements. Aggregate payments under these agreements were \$36,804 for the year ended June 30, 2016.

NOTE 9 CONTINGENCIES

The Corporation is on a reimbursement plan with the State of West Virginia, Workforce WV, 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 10 SUBSEQUENT EVENTS

Management has evaluated events subsequent to the date of the statement of financial position through December 23, 2016, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through December 23, 2016 that would require adjustment or disclosure in the financial statements.

**PUBLIC DEFENDER CORPORATION
FOR THE FOURTH JUDICIAL CIRCUIT
SCHEDULE OF BUDGET TO ACTUAL EXPENSES - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Under/(Over) Budget to Actual</u>
Personal services	\$ 678,600	\$ 414,018	\$ 264,582
Employee benefits	194,700	124,212	70,488
Support services	27,750	38,096	(10,346)
Administrative support	18,750	14,472	4,278
Office	106,500	81,577	24,923
Other	4,500	4,398	102
Acquisition	267,700	51,701	215,999
Total operating expenses	<u>\$ 1,298,500</u>	<u>\$ 728,474</u>	<u>\$ 570,026</u>



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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

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

December 23, 2016

Public Defender Corporation for the Fourth Judicial Circuit
320 Juliana Street
Suite 101
Parkersburg, WV 26101

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 Fourth Judicial Circuit**, a component unit of the State of West Virginia (the Corporation) as of and for the year ended June 30, 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 December 23, 2016.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of audit findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.



...“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*.

Corporation's Response to Findings

The Corporation's response to the finding identified in our audit is described in the accompanying schedule of audit findings. We did not audit the Corporation's response and, accordingly, we express no opinion on it.

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

**PUBLIC DEFENDER CORPORATION
FOR THE FOURTH JUDICIAL CIRCUIT
SCHEDULE OF AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING 2016-001

Material Weakness

Financial Reporting

Standards and practices regarding internal controls require the Corporation's internal controls be adequately designed to ensure that its financial statements and related disclosures conform, in all material respects, to the requirement of the basis of accounting on which the statements are prepared.

Material misstatements, in the following noted areas, were identified during the course of the audit which were not prevented or detected by the Corporation's internal controls over financial reporting:

- Beginning net position balance
- Revenue

The above noted adjustments have been posted to the financial statements and the Corporation's accounting system.

We recommend the Corporation review their financial reporting internal control process to ensure that all necessary transactions are reflected in their accounting system and financial reports.

Management's Response – It is the Corporation's understanding that the referenced correcting entry is made to increase West Virginia Public Defender Services grant funding by \$400,000 for the fiscal year ending June 30, 2016 and increase the total Grant Revenue of the Corporation to \$1,698,500.

By way of explanation, the Corporation operated under a funding contract totaling \$1,298,500 for the fiscal year ending June 30, 2016. In addition, West Virginia Public Defender Services provided initial funding totaling \$400,000 as start-up funds for the purpose of opening a Public Defender Corporation for the Fourth Judicial Circuit. This initial funding was not a part of the contract funding totaling \$1,298,500.

The Corporation stated its revenue for Fiscal Year ending June 30, 2016 in a manner which matches the funding contract for the year. Also, to the best of our knowledge, the initial cash disbursement received was made from Public Defender Services fiscal year 2015 funding. Further, during the past two fiscal year, Public Defender Services has not provided June funding to other Public Defender Corporations until sometime after July first; however, these other Corporations properly recognized this funding as revenue for the prior fiscal year. Accordingly, when this Corporation received initial funding of \$400,000 in July of 2015, it was recorded as a revenue for fiscal year 2015 in order to match the fiscal year 2016 Contract and this revenue was recognized on the Corporation's books in a manner consistent with all other Public Defender Corporations in the state.