Public Defender Corporation for the First Judicial Circuit

(A Component Unit of the State of West Virginia)

Financial Statements
and Required Supplementary
and Supplementary Information

Years Ended June 30, 2020 and 2019
with Independent Auditor's Reports

MaherDuessel

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PUBLIC DEFENDER CORPORATION
FOR THE FIRST JUDICIAL CIRCUIT

YEARS ENDED JUNE 30, 2020 AND 2019

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Independent Auditor's Report

Board of Directors
Public Defender
Corporation for the
First Judicial Circuit

Report on the Financial Statements

We have audited the accompanying financial statements of the Public Defender Corporation for the First Judicial Circuit (Corporation), a component unit of the State of West Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Corporation as of June 30, 2020, and the changes in its financial position and its cash flows for the year then ended in accordance with 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 that the management's discussion and analysis, the pension information, and the postemployment benefits other than pension benefits (OPEBs) information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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 the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of budget to actual expenses – cash basis is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2020 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's 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.

Prior Period Financial Statements

The financial statements of the Corporation as of June 30, 2019 were audited by other auditors whose report dated September 13, 2019 expressed an unmodified opinion on those statements.

Maher Duessel

Pittsburgh, Pennsylvania
October 5, 2020

PUBLIC DEFENDER CORPORATION
FOR THE FIRST JUDICIAL CIRCUIT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

This management's discussion and analysis of the Public Defender Corporation for the First Judicial Circuit (Corporation) 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, 2020, 2019, and 2018 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 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 and mental hygiene cases as appointed by the court.

Financial Analysis of the Corporation

	2020	2019	2018
Assets			
Current and other assets	$ 474,255	$ 338,932	$ 213,557
Capital assets	73,810	76,057	72,773
Total Assets	$ 548,065	$ 414,989	$ 286,330
Deferred Outflows	$ 132,096	$ 143,661	$ 128,386
Liabilities			
Current and other liabilities	$ 85,120	$ 105,772	$ 151,952
Long-term liabilities	327,876	404,862	493,255
Total Liabilities	$ 412,996	$ 510,634	$ 645,207
Deferred Inflows	$ 184,302	$ 161,455	$ 132,889
Net Position			
Net investment in capital assets	$ 73,810	$ 76,057	$ 72,773
Unrestricted	9,053	(189,496)	(436,153)
Total Net Position	$ 82,863	$ (113,439)	$ (363,380)

The Corporation's revenues are derived from funding from West Virginia Public Defender Services (WVPDS) and accordingly 99%, 98%, and 99% of the Corporation's revenues were derived from this funding for the years ended June 30, 2020, 2019, and 2018, respectively.

		2020		2019		2018
Operating revenues	$	1,120,722	$	1,176,751	$	993,814
Operating expenses		938,191		950,717		999,209
Operating Income (Loss)		182,531		226,034		(5,395)
Non-Operating Revenues (Expenses)		13,771		23,907		16,890
Change in Net Position		196,302		249,941		11,495
Net Position:						
Beginning of year		(113,439)		(363,380)		(374,875)
End of year	$	82,863	$	(113,439)	$	(363,380)

Detailed Financial Analysis of the Corporation

Grant income decreased approximately $56,000 and cash held by the Corporation increased by approximately $42,000. The increase in cash position was primarily a result of operating costs being below operating revenues for the fiscal year ended June 30, 2020. Other postemployment benefit (OPEB) liability and net pension Liability, included in long-term liabilities, decreased by approximately $47,000 and $30,000, respectively; these balances represent the Corporation's portion of the liabilities as determined by annual actuarial valuations. Grant receivables increased by $93,000 due to the timing of receipts. All other assets, deferred outflows, liabilities, and deferred inflows remained basically consistent with the prior period.

Operating expenses for the fiscal year remained relatively consistent to the prior period.

Capital Asset and Debt Activity

As of June 30, 2020, 2019, and 2018, the Corporation had capital assets costing approximately $236,000, $235,000, and $229,000, respectively. The Corporation's capital assets include land, building, computer and equipment, and furniture and fixtures. The assets were being depreciated over useful lives of three to forty years. The accumulated depreciation on the assets amounted to approximately $162,000, $159,000, and $157,000, respectively. There were no asset disposals during the current year. There were purchases of capital assets for the year ended June 30, 2020. More detailed information is presented in Note 6 to the financial statements. The Corporation had no debt for the years ended June 30, 2020 or 2019 or 2018.

Cash Management

The Corporation's funds are deposited into a checking account at a national banking institution. The account earns interest at a rate of approximately .10% for the years ended June 30, 2020, 2019, and 2018. Interest earned on the account for the years ended June 30, 2020, 2019, and 2018 amounted to $191, $133, and $140, respectively.

Pension and OPEB

The Corporation participates in statewide, cost-sharing, multiple-employer defined benefit plans for pension and OPEB. The systems are administered by agencies of the State of West Virginia and funded by contributions from participants, employers, and state appropriations, as necessary.

The Corporation reports liabilities for its proportionate share of the net pension and OPEB liabilities. These liabilities are determined by actuarial valuations as of June 30, 2019. The reporting of these liabilities is intended to give the user a clearer picture of the participating entity’s total obligation as it relates to these benefits being provided. As the statements are presented on the accrual basis of accounting, the recognition of pension and OPEB expense, which is impacted by the changes in these long-term liabilities, differs from the annual cash obligation, which is based on a percentage of covered wages.

Economic Factors and Next Year's Budget

WVPDS, the Corporation's oversight agency, looked at various factors when approving the budget for the year ending June 30, 2021. 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, 2021, the Corporation has an approved budget of $1,120,722. This represents the same budget from the prior year. Individual budget categories have comparable increases to budgeted categories of the prior budget 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 Corporation. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Corporation at PO Box 347, 505 Board of Trade Building, 80 12th Street, Wheeling, WV 26003.

PUBLIC DEFENDER CORPORATION
FOR THE FIRST JUDICIAL CIRCUIT

STATEMENTS OF NET POSITION

JUNE 30, 2020 AND 2019

	2020	2019
Assets and Deferred Outflows of Resources		
Assets:		
Current assets:		
Cash and cash equivalents	$ 377,168	$ 334,735
Grant receivable	93,393	-
Prepaid expenses	3,694	4,197
Total current assets	474,255	338,932
Capital assets:		
Land	17,600	17,600
Building	70,400	70,400
Computer and equipment	58,283	57,614
Furniture and fixtures	89,224	89,224
	235,507	234,838
Less: accumulated depreciation	(161,697)	(158,781)
Total capital assets, net	73,810	76,057
Total Assets	548,065	414,989
Deferred Outflows of Resources:		
Deferred outflows of resources for OPEBs	64,093	64,039
Deferred outflows of resources for pension	68,003	79,622
Total Deferred Outflows of Resources	132,096	143,661
Total Assets and Deferred Outflows of Resources	$ 680,161	$ 558,650
Liabilities, Deferred Inflows of Resources, and Net Position		
Liabilities:		
Current liabilities:		
Accounts payable	$ 1,408	$ 1,815
Accrued expenses	24,070	24,484
Compensated absences	59,642	79,473
Total current liabilities	85,120	105,772
Long-term liabilities:		
Net OPEB liability	224,001	271,312
Net pension liability	103,875	133,550
Total long-term liabilities	327,876	404,862
Total Liabilities	412,996	510,634
Deferred Inflows of Resources:		
Deferred inflows of resources for OPEBs	106,340	77,838
Deferred inflows of resources for pension	77,962	83,617
Total Deferred Inflows of Resources	184,302	161,455
Net Position:		
Net investment in capital assets	73,810	76,057
Unrestricted	9,053	(189,496)
Total Net Position	82,863	(113,439)
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 680,161	$ 558,650

The notes to financial statements are an integral part of this statement.

PUBLIC DEFENDER CORPORATION
FOR THE FIRST JUDICIAL CIRCUIT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Operating Revenues:		
WV Public Defender Services grant revenue	$ 1,120,722	$ 1,176,751
Operating Expenses:		
Personnel services	670,420	674,291
Employee benefits	170,459	176,883
Support services	17,772	13,163
Administrative support	13,275	17,847
Office	60,534	64,546
Other objects	1,080	583
Acquisition	1,735	1,188
Depreciation	2,916	2,216
Total operating expenses	938,191	950,717
Operating Income (Loss)	182,531	226,034
Non-operating Revenues (Expenses):		
Interest income	191	133
OPEB special funding revenue	13,580	23,774
Total non-operating revenues (expenses)	13,771	23,907
Change in Net Position	196,302	249,941
Net Position:		
Beginning of year	(113,439)	(363,380)
End of year	$ 82,863	$ (113,439)

The notes to financial statements are an integral part of this statement.

PUBLIC DEFENDER CORPORATION
FOR THE FIRST JUDICIAL CIRCUIT

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash Flows From Operating Activities:		
Cash received from grants	$ 1,027,329	$ 1,176,751
Cash paid for personnel and goods and services	(984,418)	(1,048,370)
Net cash provided by (used in) operating activities	42,911	128,381
Cash Flows From Investing Activities:		
Cash received as interest	191	133
Cash paid for plant asset additions	(669)	(5,500)
Net cash provided by (used in) investing activities	(478)	(5,367)
Net Increase (Decrease) in Cash and Cash Equivalents	42,433	123,014
Cash and Cash Equivalents:		
Beginning of year	334,735	211,721
End of year	$ 377,168	$ 334,735
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating income (loss)	$ 182,531	$ 226,034
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	2,916	2,216
OPEB special funding revenue	13,580	23,774
Change in assets and liabilities:		
Grants receivable	(93,393)	-
Prepaid expenses	503	(2,361)
Deferred outflows	11,565	(15,275)
Accounts payable	(407)	1,405
Accrued expenses	(414)	(11,515)
Compensated absences	(19,831)	(36,070)
Pension liability	(29,675)	(94,051)
Deferred inflows	22,847	28,566
OPEB liability	(47,311)	5,658
Total adjustments	(139,620)	(97,653)
Net cash provided by (used in) operating activities	$ 42,911	$ 128,381

The notes to financial statements are an integral part of this statement.

1. Summary of Significant Accounting Policies

Description of the Reporting Entity

The Public Defender Corporation for the First Judicial Circuit (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 (State) 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 statements 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 statements of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Cash and Cash Equivalents

For the purpose of the statements of cash flows and for the presentation on the statements 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:

Building	3 – 40 years
Computer and equipment	3 -10 years
Furniture and fixtures	3 -10 years

Net Position

Net position represents the difference between all other elements on the statements of net 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, 2020 and 2019.

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.

Budgetary

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

Pension

For purposes of measuring the net pension liability and deferred outflows/inflows of 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 Plans' 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.

Other Postemployment Benefits (OPEB)

It is the Corporation's policy to permit employees to accumulate earned but unused sick pay benefits. Sick benefits can be accumulated for unlimited days and carried forward to the subsequent fiscal year. When separated from employment, employees' sick leave benefits are considered ended and no reimbursement is provided. However, upon retirement, an employee's accumulated annual sick leave may be converted to a greater retirement benefit or payment of the retired employee's health insurance premiums. The cost of the increased retirement option is the liability of the West Virginia Consolidated Public Retirement Board. The payment of health insurance premiums must be absorbed by the last agency employing the retiree and is included as part of the OPEB liability.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by West Virginia Retiree Health Benefit Trust Fund (RHBT). For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for certain pooled investments, money market investments, and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at amortized cost. See Note 9 for further discussion.

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.

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, 2020, 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. The Corporation's Federal Return of Organization Exempt from Income Tax (federal Form 990) for 2017, 2018, and 2019 are subject to examination by the IRS, generally for three years after they were filed.

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statements of net position may report deferred outflows/inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Corporation reported deferred inflows and outflows of resources for 2020 and 2019 related to pensions and OPEBs.

Adopted Pronouncement

The Corporation has adopted Governmental Accounting Standards Board (GASB) Statement No. 90, *“Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61.”* The implementation of this pronouncement had no impact on these financial statements.

Subsequent Events

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued.

2. Cash

At June 30, 2020 and 2019, the Corporation held cash and cash equivalents of $377,168 and $334,735, respectively, consisting of unexpended West Virginia Public Defender Services 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.

3. 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 five years of continuous full-time employment during any period earn 15 days per year. Employees with five years, but less than 10 years, of full-time employment during any continuous 10-year period, earn 18 days per year. Employees with more than 10 years of continuous full-time employment earn 24 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.

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 and funded by contributions from participants, employers, and State appropriations, as necessary.

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.

The following is a summary of eligibility factors, contribution methods, and benefits provisions:

Eligibility to participate	All Corporation full-time employees, except those covered by other pension plans
Authority establishing contributions obligations and benefit provisions	State statute
Tier 1 Plan member's contribution rate	4.50% (employees hired before July 1, 2015)
Tier 2 Plan member's contribution rate	6.00% (employees hired after July 1, 2015)
Corporation's contribution rate	10.00% for fiscal year 2020; 10.00% for fiscal year 2019
Period required to vest	5 Years

Benefits and eligibility for distribution:

Tier 1

A member who has attained age 60 and has earned five 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.

Tier 2

Qualification for normal retirement is age 62 with 10 years of services or at least age 55 with and service equal to 80 or greater. The average salary is the average of the five consecutive highest annual earnings out of the last fifteen years of earnings) times the years of service times 2% equals the retirement benefit.

Deferred Portion - No

Provision for:
Cost of living – No
Death benefits - yes

The Corporation's contributions to the West Virginia Public Employees Retirement System for the year ended June 30, 2020 is as follows:

Percentage of Payroll	Total Wages	Coverage Wages	Amount Contributed
Employer share - 10%	$ 686,420	$ 629,330	$ 62,933
Tier 1 employee share - 4.5%	421,900	365,558	16,450
Tier 2 employee share - 6.0%	264,520	263,772	15,826

The Corporation's contributions to the West Virginia Public Employees Retirement System for the year ended June 30, 2019 is as follows:

Percentage of Payroll	Total Wages	Coverage Wages	Amount Contributed
Employer share - 10%	$ 709,259	$ 709,259	$ 70,927
Tier 1 employee share - 4.5%	588,028	588,028	26,461
Tier 2 employee share - 6%	121,231	121,231	7,274

Trend Information

Fiscal Year	Annual Pension Cost	Percent Contributed
2020	$ 62,933	100.00%
2019	70,927	100.00%
2018	78,595	100.00%

For 2020, the required contribution was $62,933. 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.

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

At fiscal year-end, the Corporation reported the following liabilities for its proportionate share of the net pension liabilities. The net pension liabilities were measured as of June 30, 2019 and 2018 for the Corporation fiscal years ended June 30, 2020 and 2019, respectively. The total pension liability used to calculate the net pension liabilities were determined by an actuarial valuation as of June 30, 2018 and rolled forward to June 30, 2019 using the actuarial assumptions and methods described in the appropriate section of this note. The Corporation's proportion of the net pension liabilities was based on a projection of the Corporation's long-term share of contributions to the pension plans relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2020 and 2019, the Corporation reported the following proportions and increase/decreases from its proportion measured as of June 30, 2019 and 2018:

	2020	2019
Amount for proportionate share of net pension liability	$ 103,875	$ 133,550
Percentage for proportionate share of net pension liability	0.048311%	0.051713%
Increase (decrease) in percent from prior proportion measured	-0.003402%	-0.001016%

For the years ended June 30, 2020 and 2019, the Corporation recognized the following pension expense:

	2020 PERS	2019 PERS
Pension expense	$ 39,326	$ 13,314

The Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for the year ended June 30, 2020:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4,020	$ 9,073
Net difference between projected and actual earnings on pension plan investments	-	37,544
Changes in proportion	1,050	12,275
Changes in assumptions	-	19,070
Contributions subsequent to the measurement date	62,933	-
Total	$ 68,003	$ 77,962

The Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for the year ended June 30, 2019:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 78,588
Net difference between projected and actual earnings on pension plan investments	6,625	330
Changes in proportion	2,070	4,699
Contributions subsequent to the measurement date	- 70,927	-
Total	$ 79,622	$ 83,617

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. 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 Ending June 30,	2020	Year Ending June 30,	2019
2021	$ (15,814)	2020	$ 9,424
2022	(59,673)	2021	(12,075)
2023	(8,305)	2022	(58,967)
2024	10,900	2023	(13,304)
Total	$ (72,892)	Total	$ (74,922)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2018 and rolled forward to June 30, 2019 for all plans, using the following actuarial assumptions, applied to all periods included in the measurement.

	June 30, 2019	June 30, 2018
Actuarial cost method	Individual entry age normal cost with level percentage of payroll	Individual entry age normal cost with level percentage of payroll
Asset valuation method	Fair Value	Fair Value
Amortization method	Level dollar, fixed period	Level dollar, fixed period
Amortization period	Through fiscal year 2035	Through fiscal year 2035
Actuarial assumptions:		
Investment rate of return	7.50%	7.50%
Projected salary increases - PERS:		
State	3.1 - 5.3%	3.0 - 4.6%
Nonstate	3.35 - 6.5%	3.35 - 6.0%
Inflation rate	3.00%	3.00%
Discount rate	7.50%	7.50%
Mortality rate	Active-100% of Pub-2010 General Employees table, below median, headcount weighted, projected with scale MP-2018 Retired healthy males-108% of Pub-2010 General Retiree Male table, below-median, headcount weighted, projected with scale MP-2018 Retired healthy females-122% of Pub-2010 Annuitant, Scale AA fully generational General Retiree Female table, below-median, headcount weighted, projected with scale MP-2018 Disabled males-118% of Pub-2010 General / Teachers Disabled Male table, below-median, headcount weighted, projected with scale MP-2018 Disabled females-118% of Pub-2010 General / Teachers Disabled Female table, below-median, headcount weighted, projected with scale MP-2018	Active-100% of RP-2000 Non-Annuitant, Scale AA fully generational, retired healthy males 110% of RP-2000 Healthy Annuitant, Scale AA fully generational, retired healthy females 101% of RP-2000 Healthy 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

	June 30, 2019	June 30, 2018
Withdrawal rates:		
State	2.28 - 45.63%	1.75 - 35.1%
Nonstate	2.50 - 35.88%	2 - 35.88%
Disability rates	0.005 - .540%	0.007 - .675%
Retirement rates	12 - 100%	12 - 100%
Date range in most recent experience study	2013-2018	2009-2014

The long-term expected rate of return on pension plan investments were 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. The target allocation and best estimates of arithmetic real rates of return for each asset class are summarized in the following tables:

2019

Asset Class	Long-Term Expected Rate of Return	PERS Target Asset Allocation
U.S. Equity	5.8%	27.5%
International Equity	7.7%	27.5%
Core Fixed Income	3.3%	15.0%
Real Estate	6.1%	10.0%
Private Equity	8.8%	10.0%
Hedge Funds	4.4%	10.0%
		100.0%

2018

Asset Class	Long-Term Expected Rate of Return	PERS Target Asset Allocation
U.S. Equity	4.5%	27.5%
International Equity	8.6%	27.5%
Core Fixed Income	3.3%	15.0%
Real Estate	6.0%	10.0%
Private Equity	6.4%	10.0%
Hedge Funds	4.0%	10.0%
		100.0%

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:

2020	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of PERS's net pension liability	$ 483,857	$ 103,875	$ (217,567)

2019	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of PERS's net pension liability	$ 537,832	$ 133,550	$ (208,468)

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. That information can also be obtained by writing to the West Virginia Consolidated Public Retirement Board, 4101 MacCorkle Avenue SE, Charleston, WV 25304.

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 (BRIM), 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 Corporation provides employees health and basic life insurance benefits through the Public Employees Insurance Agency. PEIA was established by the State 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.

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 Insurance, 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, 2020, the Corporation did not reduce insurance coverages from coverage levels in place as of June 30, 2019. No settlements have exceeded coverage levels in place during the past three years.

6. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	Balance at July 1, 2019	Additions	Deletions/ Transfers	Balance at June 30, 2020
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 17,600	$ -	$ -	$ 17,600
Capital assets, being depreciated:				
Building	70,400	-	-	70,400
Computer and equipment	57,614	669	-	58,283
Furniture and fixtures	89,224	-	-	89,224
Total capital assets, being depreciated	217,238	669	-	217,907
Less: accumulated depreciation for:				
Building	(17,375)	(1,805)	-	(19,180)
Computer and equipment	(52,297)	(883)	-	(53,180)
Furniture and fixtures	(89,109)	(228)	-	(89,337)
Total accumulated depreciation	(158,781)	(2,916)	-	(161,697)
Governmental activities, capital assets, net	$ 76,057	$ (2,247)	$ -	$ 73,810

Capital asset activity for the year ended June 30, 2019 was as follows:

	Balance at July 1, 2018	Additions	Deletions/ Transfers	Balance at June 30, 2019
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 17,600	$ -	$ -	$ 17,600
Capital assets, being depreciated:				
Building	70,400	-	-	70,400
Computer and equipment	52,114	5,500	-	57,614
Furniture and fixtures	89,224	-	-	89,224
Total capital assets, being depreciated	211,738	5,500	-	217,238
Less: accumulated depreciation for:				
Building	(15,570)	(1,805)	-	(17,375)
Computer and equipment	(52,114)	(183)	-	(52,297)
Furniture and fixtures	(88,881)	(228)	-	(89,109)
Total accumulated depreciation	(156,565)	(2,216)	-	(158,781)
Governmental activities, capital assets, net	$ 72,773	$ 3,284	$ -	$ 76,057

7. Long-Term Liabilities

Changes to the Corporation's long-term liabilities during the year ended June 30, 2020 were as follows:

	Balance at July 1, 2019	Additions	Reductions	Balance at June 30, 2020	Due within one year
Compensated absences	$ 79,473	$ -	$ (19,831)	$ 59,642	$ 59,642
OPEB	271,312	-	(47,311)	224,001	-
Net pension liability	133,550	-	(29,675)	103,875	-
Total	$ 484,335	$ -	$ (96,817)	$ 387,518	$ 59,642

Changes to the Corporation's long-term liabilities during the year ended June 30, 2019 were as follows:

	Balance at July 1, 2018	Additions	Reductions	Balance at June 30, 2019	Due within one year
Compensated absences	$ 115,543	$ -	$ (36,070)	$ 79,473	$ 79,473
OPEB	265,654	5,658	-	271,312	-
Net pension liability	227,601	-	(94,051)	133,550	-
Total	$ 608,798	$ 5,658	$ (130,121)	$ 484,335	$ 79,473

8. Contingencies

The Corporation is on a reimbursement plan with the State, 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.

9. Other Postemployment Benefits (OPEB)

Other Postemployment Benefits (OPEB)

It is the Corporation's policy to permit employees to accumulate earned but unused sick pay benefits. Sick benefits can be accumulated for unlimited days and carried forward to the subsequent fiscal year. When separated from employment, employees' sick leave benefits are considered ended and no reimbursement is provided. However, upon retirement, an employee's accumulated annual sick leave may be converted to a greater retirement benefit or payment of the retired employee's health insurance premiums. The cost of the increased retirement option is the liability of the West Virginia Consolidated Public Retirement Board. The payment of health insurance premiums must be absorbed by the last agency employing the retiree and is included as part of the OPEB liability.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State OPEB Plan, and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by West Virginia Retiree Health Benefit Trust Fund (RHBT). For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for certain pooled investments, money market investments, and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at amortized cost.

West Virginia Retiree Health Benefit Trust Fund (RHBT)

Plan Description

The Corporation participates in the West Virginia Other Postemployment Benefit Plan (Plan) a cost-sharing, multiple-employer, defined benefit other postemployment benefit plan and covers the retirees of State agencies, colleges and universities, county boards of education, and other government entities as set forth in the West Virginia Code Section 5-16D-2 (Code). The financial activities of the Plan are accounted for in the RHBT, a fiduciary fund of the State. The Plan is administered by a combination of the West Virginia Public Employees Insurance Agency (PEIA) and the RHBT staff. Plan benefits are established and revised by PEIA and the RHBT management with approval of the Finance Board. The Finance Board is comprised of nine members. Finance Board members are appointed by the Governor, serve a term of four years, and are eligible for reappointment. The State Department of Administration cabinet secretary serves as the Chairman of the Board. Four members represent labor, education, public employees, and public retirees. Four remaining members represent the public-at-large.

RHBT issues publicly available reports that include a full description of the Plan regarding benefit provisions, assumptions, and membership information that can be obtained by contacting Public Employees Insurance Agency, 601 57th Street SE, Suite 2, Charleston, West Virginia 25304-2345, by calling (888) 680-7342 or can be found on the PEIA website at www.peia.wv.gov.

Benefits Provided

The Corporation's employees who retire are eligible for PEIA health and life benefits, provided they meet the minimum eligibility requirements of the PERS or meet certain other eligibility requirements of other CPRB sponsored retirement plans. RHBT provides medical and prescription drug insurance and life insurance benefits to those qualified participants. Life insurance is provided through a vendor and is fully funded by member contributions. The medical and prescription drug insurance is provided through two options: Self-Insured Preferred Provider Benefit Plan - primarily for non-Medicare-eligible retirees and spouses or External Managed Care Organizations - primarily for Medicare-eligible retirees and spouses.

The RHBT Medicare-eligible retired employees and their Medicare-eligible dependents receive medical and drug coverage from a Medicare Advantage Plan. Under this arrangement, the vendor assumes the financial risk of providing comprehensive medical and drug coverage with limited copayments. Non-Medicare retirees continue enrollment in PEIA's Preferred Provider Benefit or the Managed Care Option (MCO). RHBT collects employer contributions for MCO participants and remits capitation payments to the MCO. Survivors of retirees have the option of purchasing the medical and prescription drug coverage.

Eligible participants hired after June 30, 2010 will be required to fully fund premium contributions upon retirement. The Plan is a closed plan to new entrants.

Contribution Requirements

Employer contributions consist of pay-as-you-go premiums, commonly referred to as paygo, and retiree leave conversion billings. Employees are not required to contribute to the OPEB plan.

Paygo premiums are established by the Finance Board annually. All participating employers are required by statute to contribute to RHBT this premium at the established rate for every active policyholder per month. The paygo rate for fiscal years 2020 and 2019 was $168 and $183, respectively.

The Corporation's contributions to RHBT for the years ended June 30, 2020 and 2019 were $24,192 and $27,816, respectively. No amount was payable at year-end. Employees are not required to contribute to the OPEB plan.

Members retired before July 1, 1997, pay retiree healthcare contributions at the highest sponsor-subsidized rate, regardless of their actual years of service. Members retired between July 1, 1997 and June 30, 2010, pay a subsidized rate depending on the member's years of service. Members hired on or after July 1, 2010, pay retiree healthcare contributions with no sponsor-provided implicit or explicit subsidy.

Retiree leave conversion contributions from the employer depend on the retiree's date of hire and years of service at retirement as described below:

- Members hired before July 1, 1988 may convert accrued sick or leave days into 100% of the required retiree healthcare contribution.
- Members hired from July 1, 1988 to June 30, 2001 may convert accrued sick or leave days into 50% of the required retiree healthcare contribution.

The conversion rate is two days of unused sick and annual leave days per month for single healthcare coverage and three days of unused sick and annual leave days per month for family healthcare coverage.

Contributions by Non-employer Contributing Entities in Special Funding Situations

The State is a nonemployer contributing entity that provides funding through Senate Bill 419, effective July 1, 2012 and amended by West Virginia Code §11-21-96. For fiscal years beginning on and after July 1, 2016, this Senate Bill and corresponding State Code section require that an annual amount of $30 million from the State shall be dedicated for payment of the unfunded liability of the RHBT fund. The $30 million annual contribution is to continue through July 1, 2037, or until the unfunded liability has been eliminated, whichever comes first.

The State is a nonemployer contributing entity that provides funding through West Virginia State Code §11B-2-32. The Financial Stability Fund is a plan to transfer an annual amount of $5 Million to RHBT from special revenue funds to be used to lower retiree premiums, to help reduce benefit cuts, to help reduce premium increases, or any combination thereof. The $5 million transferred pursuant to this Code shall be transferred annually into RHBT through June 30, 2020.

The State is a nonemployer contributing entity that provides funding through Senate Bill 469, which was passed February 10, 2012, granting OPEB liability relief to the 55 County Boards of Education effective July 1, 2012. This special funding under the school aid formula subsidizes employer contributions of the County Boards of Education and contributes to the overall unfunded OPEB liability.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

At fiscal year-end, the Corporation reported the following liabilities for its proportionate share of the net OPEB liabilities. The net OPEB liabilities were measured as of June 30, 2019 for the Corporation's fiscal year ended June 30, 2020. The total OPEB liability used to calculate the net OPEB liabilities was determined by an actuarial valuation as of June 30, 2018 and rolled forward to June 30, 2019 using the actuarial assumptions and methods described in the appropriate section of this note. The government's proportion of the net pension liabilities was based on a projection of the government's long-term share of contributions to the pension plans relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2020 and 2019, the Corporation reported the following proportions and increase/decreases from its proportion measured as of June 30, 2019 and 2018:

	2020	2019
Corporation's proportionare share of the net OPEB liablity	$ 224,001	$ 271,312
State's proportional share of the net OPEB liability associated with the Corporation	45,840	77,779
Total	$ 269,841	$ 349,091

	2020	2019
Amount of proportionate share of net OPEB liability	$ 224,001	$ 271,312
Percentage for proportionate share of net OPEB liability	0.013501064%	0.012645988%
Increase (decrease) in percent from prior proportion measured	0.000855076%	0.001842590%

For the years ended June 30, 2020 and 2019, the Corporation recognized the following OPEB expense and support provided by the State:

	2020	2019
OPEB expense Corporation	$ (6,131)	$ 10,902
OPEB expense State support	13,580	23,774
Total	$ 7,449	$ 34,676
State support revenue	$ 13,580	$ 23,774

The Corporation reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources for the year ended June 30, 2020:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 26,125
Changes in assumptions	-	45,430
Net difference between projected and actual earnings on plan investments	-	2,416
Changes in proportion	39,901	32,369
Contributions subsequent to the measurement date	24,192	-
Total	$ 64,093	$ 106,340

The Corporation reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources for the year ended June 30, 2019:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 5,022
Changes in assumptions	-	4,013
Net difference between projected and actual earnings on plan investments	-	27,090
Changes in proportion	36,223	41,713
Contributions subsequent to the measurement date	27,816	-
Total	$ 64,039	$ 77,838

The Corporation reported deferred outflows of resources in the amount of $24,192 related to OPEB from contributions subsequent to the measurement date for the year ended June 30, 2020.

The amount reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the subsequent year. 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 Ending June 30,	2020	Year Ending June 30,	2019
2021	$ (28,657)	2020	$ (15,599)
2022	(24,097)	2021	(15,599)
2023	(10,940)	2022	(11,123)
2024	(2,745)	2023	706
Total	$ (66,439)	Total	$ (41,615)

Certain employers that meet the Plan's opt-out criteria are no longer required to make contributions to the Plan. These opt-out employers have no continuing involvement with the Plan. Accordingly, the amounts previously allocated to such employers for the net OPEB liability and related deferred inflows and outflows are reallocated to the remaining employers participating in the cost-sharing plan. The Plan reallocates these balances to the remaining active employers based on their proportionate share of contributions made in the period of reallocation. The Corporation's proportionate share of these allocations has been reflected in the balances for the Plan year ended June 30, 2019.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2018 and rolled forward to June 30, 2019 for all plans, using the following actuarial assumptions, applied to all periods included in the measurement.

	June 30, 2019	June 30, 2018
Actuarial cost method	Individual entry age normal cost with level percentage of payroll	Individual entry age normal cost with level percentage of payroll
Asset valuation method	Market Value	Fair Value
Amortization method	Level percentage of payroll, over a 20-year closed period	Level percentage of payroll, closed
Amortization period	20 years closed as of June 30, 2018	20 years closed as of June 30, 2017
Actuarial assumptions:		
Investment rate of return	7.15%, net of OPEB plan investment expense, including inflation	7.15%, net of OPEB plan investment expense, including inflation
Projected salary increases	Dependent upon pension system. Ranging from 3.0% to 6.5% including inflation	Dependent upon pension system. Ranging from 3.0% to 6.5% including inflation
Inflation rate	2.75%	2.75%
Discount rate	7.15%	7.15%
Healthcare cost trends	Trend rate for pre-Medicare per capita costs of 8.5% for plan year-end 2020, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year 2028. Trend rate for Medicare per capita costs of 3.1% for plan year-end 2020. 9.5% for plan year-end 2021, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year-end 2031.	Actual trend used for 2018. For fiscal years on and after 2019, trend starts at 8.0% and 10.0% for pre- and post-Medicare, respectively, and gradually decreases to an ultimate trend rate of 4.5%. Excess trend rate of 0.13% and 0.0% for pre- and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2022 to account for the excise tax.
Mortaility rates	Post-retirement: RP-2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis.	Post-retirement: RP-2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis.
Date range in most recent experience study	July 1, 2010 to June 30, 2015	July 1, 2010 to June 30, 2015

Certain assumptions have been changed since the prior actuarial valuation of June 30, 2017 and measurement date of June 30, 2019. The net effect of assumption changes on the Statewide total OPEB liability was approximately $236 million. The assumption changes that most significantly impacted the total OPEB liability were an approximate $11.8 million decrease in the per capita claims costs for Pre-Medicare and Medicare, as well as an approximate $224.2 million decrease due to capped subsidy costs implemented in December 2019. Certain other assumption changes were noted but did not materially impact the total OPEB liability.

The long-term expected rate of return of 7.15% on OPEB plan investments was determined by a combination of an expected long-term rate of return of 7.50% for long-term assets invested with the West Virginia Investment Management Board (WVIMB) and an expected short-term rate of return of 3.0% for assets invested with the West Virginia Board of Treasury Investments (WVBTI). Long-term pre-funding assets are invested with the WVIMB. The strategic asset allocation consists of 55% equity, 15% fixed income, 10% private equity, 10% hedge fund, and 10% real estate invested. Short-term assets used to pay current year benefits and expenses are invested with the WVBTI.

The long-term rate of return on OPEB plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentages. Target asset allocations, capital market assumptions, and a 10-year forecast of nominal geometric returns by major asset class were provided by the plan's investment advisors, including the West Virginia Investment Management Board (WV-IMB). The projected nominal return for the Money Market Pool held with the WVBTI was estimated based on the WV-IMB assumed inflation of 2.0% plus a 25 basis point spread.

The target allocation and estimates of annualized long-term expected real returns assuming a 10-year horizon are summarized below:

Asset Class	Target Allocation	Long-term Expected Real Return
Global equity	49.5%	4.8%
Core plus fixed income	13.5%	2.1%
Core real estate	9.0%	4.1%
Hedge fund	9.0%	2.4%
Private equity	9.0%	6.8%
Cash and cash equivalents	10.0%	0.3%
	100.0%	

Discount Rate

The discount rate used to measure the total OPEB liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that RHBT contributions will be made in accordance with prefunding and investment policies. Future pre-funding assumptions include a $30 million annual contribution from the State through 2037. Based on those assumptions, and that the Plan is expected to be fully funded by fiscal year ended June 30, 2033, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Discount rates are subject to change between measurement dates.

The following chart presents the sensitivity of the net OPEB 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:

2020	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Corporation's proportionate share of net OPEB liability	$ 267,338	$ 224,001	$ 187,734

2019	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Corporation's proportionate share of net OPEB liability	$ 318,873	$ 271,312	$ 231,664

Healthcare Cost Trend Rate

The following table presents the Corporation's proportionate share of its net OPEB liability calculated using the healthcare cost trend rate of percent and the impact of using a discount rate that is 1% higher or lower than the current rate.

2020	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Corporation's proportionate share of net OPEB liability	$ 180,624	$ 224,001	$ 276,638

2019	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Corporation's proportionate share of net OPEB liability	$ 224,496	$ 271,312	$ 328,355

REQUIRED SUPPLEMENTARY INFORMATION

PUBLIC DEFENDER CORPORATION
FOR THE FIRST JUDICIAL CIRCUIT

SCHEDULE OF THE CORPORATION'S PROPORTIONATE SHARE OF NET PENSION LIABILITY

Last 10 Fiscal Years[1]

	2019	2018	2017	2016	2015	2014	2013
Corporation's proportion of net pension liability	0.048311%	0.051713%	0.042073%	0.052042%	0.052482%	0.052162%	0.054947%
Corporation's proportionate share of net pension liability	$ 103,875	$ 133,550	$ 227,601	$ 478,332	$ 293,062	$ 192,511	$ 306,826
Corporation's covered payroll	709,259	714,506	708,170	717,139	725,529	699,848	740,543
Corporation's proportionate share of net pension liability as a percentage of its covered payroll	14.65%	18.69%	32.14%	66.70%	40.39%	27.51%	41.43%
Plan fiduciary net position as a percentage of total pension liability	96.33%	96.33%	93.67%	86.11%	94.23%	91.29%	79.70%

[1] The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the immediately preceding fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Corporation is presenting information for those years only for which information is available.

SCHEDULE OF THE CORPORATION'S CONTRIBUTIONS TO THE PENSION PLAN

Last 10 Fiscal Years[2]

	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	$ 62,933	$ 70,927	$ 78,595	$ 84,980	$ 96,814	$ 101,574	$ 101,574	$ 103,676
Contributions in relation to contractually required contributions	(62,933)	(70,927)	(78,595)	(84,980)	(96,814)	(101,574)	(101,574)	(103,676)
Contribution deficit (surplus)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Corporation's covered payroll	$ 659,590	$ 709,259	$ 714,506	$ 708,170	$ 717,139	$ 725,529	$ 699,848	$ 740,543
Contributions as a percentage of covered payroll	9.50%	10.00%	11.00%	12.00%	13.50%	14.00%	14.50%	14.00%

[2] The amounts presented for each fiscal year were determined as of the fiscal year-end date. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Corporation is presenting information for those years only for which information is available.

See accompanying notes to required supplementary information.

PUBLIC DEFENDER CORPORATION
FOR THE FIRST JUDICIAL CIRCUIT

SCHEDULE OF THE CORPORATION'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
RETIREE HEALTH BENEFIT TRUST

Last 10 Fiscal Years[1]

	2019	2018	2017	2016
Corporation's proportion of net OPEB liability	0.013501064%	0.012645988%	0.010803398%	0.013720984%
Corporation's proportionate share of net OPEB liability	$ 224,001	$ 271,312	$ 265,654	$ 340,737
State's proportionate share of net OPEB liability associated with the Corporation	45,840	77,779	54,566	-
Total	269,841	349,091	320,220	340,737
Corporation's covered payroll	709,259	714,506	708,170	717,139
Corporation's proportionate share of net OPEB liability as a percentage of its covered payroll	31.58%	37.97%	37.51%	47.51%
Plan fiduciary net position as a percentage of total OPEB liability	39.69%	30.98%	25.10%	21.64%

[1] The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the immediately preceding fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Corporation is presenting information for those years only for which information is available.

SCHEDULE OF THE CORPORATION'S CONTRIBUTIONS TO THE OPEB PLAN

Last 10 Fiscal Years[2]

	2020	2019	2018	2017	2016
Contractually required contribution	$ 24,192	$ 27,816	$ 25,842	$ 22,190	$ 23,472
Contributions in relation to contractually required contributions	(24,192)	(27,816)	(25,842)	(22,190)	(23,472)
Contribution deficit (surplus)	$ -	$ -	$ -	$ -	$ -
Corporation's covered payroll	$ 659,590	$ 709,259	$ 714,506	$ 708,170	$ 717,139
Contributions as a percentage of covered payroll	3.67%	3.92%	3.62%	3.13%	3.27%

[2] The amounts presented for each fiscal year were determined as of the fiscal year-end date. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Corporation is presenting information for those years only for which information is available.

See accompanying notes to required supplementary information.

1. Trend Information and Changes in Assumptions – Public Employee Retirement System (PERS)

Trend Information Presented

The accompanying schedules of the Corporation's proportionate share of the net pension liability and contributions to PERS are required supplementary information to be presented for 10 years. However, until a full 10-year trend is compiled, information is presented in the schedules for those years for which information is available.

Plan Amendment

PERS was amended to make changes which apply to new employees hired July 1, 2015 and later as follows:

- For employees hired prior to July 1, 2015, qualification for normal retirement is age 60 with five years of service or at least age 55 with age and service equal to 80 or greater. A member may retire with the pension reduced actuarially if the member is at least age 55 and has at least 10 years of contributory service, or at any age with 30 years of contributory service. For employees hired July 1, 2015 and later, qualification for normal retirement is 62 with 10 years of service. A member hired after July 1, 2015 may retire with the pension reduced actuarially if the member is between ages 60 and 62 with at least ten years of contributory service, between ages 57 and 62 with at least twenty years of contributory service, or between ages 55 and 62 with at least thirty years of contributory service.

The straight life annuity retirement benefit is equivalent to 2% of average salary multiplied by years of service. For employees hired prior to July 1, 2015, average salary is the average of the three consecutive highest annual earnings out of the last fifteen years of earnings. For all employees hired July 1, 2015 and later average salary is the average of the five consecutive highest annual earnings out of the last fifteen years of earnings.

- For employees hired prior to July 1, 2015, terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62. For all employees hired July 1, 2015 and later, this age increases to 64 with at least ten years of contributory service, or age 63 with at least twenty years of contributory service.

For all employees hired prior to July 1, 2015, employees are required to contribute 4.5% of annual earnings. All employees hired July 1, 2015 and later are required to contribute 6% of annual earnings.

Changes in Assumption

An experience study, which was based on the years 2013 through 2018, was completed prior to the 2019 actuarial valuation. As a result, several assumptions were changed for the actuarial valuations as follows:

PERS	2019	2015-2018	2014
Projected salary increase:			
State	3.1 - 5.3%	3.0 - 4.6%	4.25 - 6.0%
Nonstate	3.35 - 6.5%	3.35 - 6.0%	4.25 - 6.0%
Inflation rate	3.00%	3.0% (2016-2018); 1.9% (2015)	2.2%
Mortality rates	Active-100% of Pub-2010 General Employees table, below median, headcount weighted, projected with scale MP-2018 Retired healthy males-108% of Pub-2010 General Retiree Male table, below-median, headcount weighted, projected with scale MP-2018 Retired healthy females-122% of Pub-2010 Annuitant, Scale AA fully generational General Retiree Female table, below-median, headcount weighted, projected with scale MP-2018	Active-RP-2000 Non-Annuitant tables, Scale AA fully generational Retired healthy males – 110% of RP-2000 Non-Annuitant, Scale AA fully generational Retired healthy females – 101% of RP -2000 Non-Annuitants, Scale AA fully generational Disabled males – 96% of RP-2000 Disabled Annuitant, Scale AA fully Generational	Healthy males – 1983 GAM Healthy females – 1971 GAM Disabled males-1971 GAM Disabled females-Revenue ruling 96-7

	Disabled males-118% of Pub-2010 General / Teachers Disabled Male table, below-median, headcount weighted, projected with scale MP-2018 Disabled females-118% of Pub-2010 General / Teachers Disabled Female table, below-median, headcount weighted, projected with scale MP-2018	Disabled females – 107% of RP-2000 Disabled Annuitant, Scale AA fully generational	
Withdrawal rates:			
State	2.28-45.63%	1.75 - 35.1%	1 – 26%
Nonstate	2.50-35.88%	2 - 35.8%	2 – 31.2%
Disability rates	0.005-0.540%	0.007 - .675%	0 – .8%

2. Trend Information and Changes in Assumptions – Other Post-Employment Benefits (OPEB)

Trend Information Presented

The accompanying schedules of the Corporation's proportionate share of the net OPEB liability and contributions to West Virginia Retiree Health Benefit Trust Fund (RHBT) are required supplementary information to be presented for 10 years. However, until a full 10-year trend is compiled, information is presented in the schedules for those years for which information is available.

Below are changes in assumptions between the 2018 and 2017 valuations:

The assumption changes that most significantly impacted the total OPEB liability were an approximate $11.8 million decrease in the per capita claims costs for Pre-Medicare and Medicare, as well as an approximate $224.2 million decrease due to capped subsidy costs implemented in December 2019. Certain other assumption changes were noted but did not materially impact the total OPEB liability.

Changes in the assumptions between the 2017 and 2016 valuations:

The assumption changes that most significantly impacted the net OPEB liability are as follows: the inclusion of waived annuitants increased the liability by approximately $17 million; a 15% reduction in the retirement rate assumption decreased the liability by approximately $68 million; a change in certain healthcare-related assumptions decreased the liability by approximately $232 million; and an update to the mortality tables increased the liability by approximately $25 million. Certain other assumption changes were noted but did not materially impact the Net OPEB Liability.

Changes in the assumptions between the 2016 and 2015 valuations:

Certain economic and behavioral assumptions are unique to healthcare benefits. These assumptions include the healthcare trend, per capita claims costs, the likelihood that a member selects healthcare coverage, and the likelihood that a retiree selects one-person, two-person, or family coverage. These assumptions were updated based on a recent experience study performed by the RHBT actuaries using five-year experience data through June 30, 2015. The updated per capita claims costs were also based on recent claims, enrollment, and premium information as of the valuation date.

For the June 30, 2016 valuation, the retiree healthcare participation assumption for each retirement plan is slightly higher than the previous assumption used in the June 30, 2015 OPEB valuation. More members who were covered as actives will be assumed to participate as retirees.

The 2016 and 2015 valuations include consideration of the $30 million annual appropriations under Senate Bill 419, through July 1, 2037, or if earlier, the year the benefit obligation is fully funded. Additionally, the presentation of covered payroll was changed for the June 30, 2015, actuarial valuation. Participating employees hired before July 1, 2010 pay retiree premiums that are subsidized based on years of service at retirement. Participating employees hired on or after July 1, 2010 are required to fully fund premium contributions upon retirement. Consequently, beginning June 30, 2015, actuarial valuation covered payroll represents only the payroll for those OPEB eligible participating employees that were hired before July 1, 2010, allowing a better representation of the Unfunded Actuarial Accrued Liability (UAAL) as a percentage of covered payroll, whereas, for the prior years, covered payroll is in total for all participating employees.

SUPPLEMENTARY INFORMATION

PUBLIC DEFENDER CORPORATION
FOR THE FIRST JUDICIAL CIRCUIT

SCHEDULE OF BUDGET TO ACTUAL EXPENSES - CASH BASIS

YEAR ENDED JUNE 30, 2020

	Budget	Actual	Over (Under) Budget to Actual
Compensation and benefits	$ 1,020,616	$ 904,105	$ 116,511
Operations	100,106	80,313	19,793
Total operating expenses	$ 1,120,722	$ 984,418	$ 136,304

Public Defender Corporation
for the First Judicial Circuit
(A Component Unit of the State of West Virginia)

Independent Auditor's Report
in Accordance with
Government Auditing Standards

Year Ended June 30, 2020

MaherDuessel

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Public Defender Corporation for the First Judicial Circuit

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Public Defender Corporation for the First Judicial Circuit (Corporation), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated October 5, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation 's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maher Duessel

Pittsburgh, Pennsylvania
October 5, 2020

PUBLIC DEFENDER CORPORATION
FOR THE FIRST JUDICIAL CIRCUIT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2020

NONE