

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

Financial Statements
and Required Supplementary
and Supplementary Information

Year Ended June 30, 2020
with Independent Auditor's Report

MaherDuessel

Pursuing the profession while promoting the public good©
www.md-cpas.com

PUBLIC DEFENDER CORPORATION FOR THE THIRTEENTH JUDICIAL CIRCUIT

YEAR ENDED JUNE 30, 2020

TABLE OF CONTENTS

Independent Auditor's Report

Management's Discussion and Analysis	i
---	----------

Financial Statements:

Statement of Net Position	1
Statement of Revenues, Expenses, and Changes in Net Position	2
Statement of Cash Flows	3
Notes to Financial Statements	4

Required Supplementary Information:

Schedule of the Corporation's Proportionate Share of Net Pension Liability and Schedule of the Corporation's Contributions to the Pension Plan	24
Schedule of the Corporation's Proportionate Share of Net OPEB Liability and Schedule of the Corporation's Contributions to the OPEB Plan	26
Notes to Required Supplementary Information	28

Supplementary Information:

Schedule of Budget to Actual Expenses – Cash Basis	31
--	----

**PUBLIC DEFENDER CORPORATION
FOR THE THIRTEENTH JUDICIAL CIRCUIT**

YEAR ENDED JUNE 30, 2020

TABLE OF CONTENTS

(Continued)

Independent Auditor's Report in Accordance with *Government Auditing Standards*:

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 <i>Government Auditing Standards</i>	32
Schedule of Findings and Responses	34

Independent Auditor's Report

**Board of Directors
Public Defender
Corporation for the
Thirteenth Judicial Circuit**

Report on the Financial Statements

We have audited the accompanying financial statements of the Public Defender Corporation for the Thirteenth 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 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.

Mahe Duessel

Pittsburgh, Pennsylvania
October 5, 2020

**PUBLIC DEFENDER CORPORATION
THIRTEENTH JUDICIAL CIRCUIT
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020
UNAUDITED**

This management's discussion and analysis of the Public Defender Corporation for the Seventh 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 and 2019 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 and mental hygiene cases as appointed by the court.

Financial Analysis of the Corporation

	2020	2019
Assets		
Capital Assets	\$ 53,839	\$ 64,313
Other Assets	1,105,357	958,026
Total Assets	<u>\$ 1,159,196</u>	<u>\$ 1,022,339</u>
Deferred Outflow of Resources	368,987	360,085
Liabilities		
Long-term Liabilities	\$ 904,804	\$ 1,093,728
Short-term Liabilities	225,564	229,288
Total Liabilities	<u>\$ 1,130,368</u>	<u>\$ 1,323,016</u>
Deferred Inflow of Resources	481,360	411,116
Net Position		
Net Investment in Capital Assets	53,839	64,313
Unrestricted (Deficit)	(137,384)	(416,021)
Total Net Position	<u>\$ (83,545)</u>	<u>\$ (351,708)</u>

**PUBLIC DEFENDER CORPORATION
THIRTEENTH JUDICIAL CIRCUIT
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020
UNAUDITED**

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

	2020	2019
Operating Revenue	\$ 3,136,386	\$ 3,045,803
Operating Expenses	2,901,714	2,827,894
Operating Income (Loss)	<u>\$ 234,672</u>	<u>\$ 217,909</u>
Non-Operating Revenue	33,491	47,782
Change in Net Position	<u>268,163</u>	<u>265,691</u>
Net Position at Beginning of Year	(351,708)	(617,399)
Net Position at End of Year	<u>\$ (83,545)</u>	<u>\$ (351,708)</u>

Detailed Financial Analysis of the Corporation

Cash held by the Corporation decreased by approximately \$137,000 due to accounts receivable amounts uncollected at the end of the year. The Net OPEB Liability and Net Pension Liability, included in long-term liabilities, decreased by approximately \$189,000 primarily due to new actuarial valuations of the West Virginia PERS and Retirement Health Benefit Trust Fund. Deferred Outflows and Deferred Inflows increased due to changes in the actuarial valuation.

Grant income increased approximately \$90,600. Operating expenses for the fiscal year increased by approximately \$73,800. This increase is mostly attributable to an increase in personal services attributable to the addition of a grant funded employee. Non-Operating income decreased by approximately \$14,300 due to contributions received on the Corporation's behalf related to the OPEB liability.

Capital Asset and Debt Activity

As of June 30, 2020 and 2019, the Corporation had capital assets costing approximately \$131,000 and \$127,000, respectively. The Corporation's capital assets include furniture and fixtures, leasehold improvements and office and computer equipment. The assets were being depreciated over useful lives of three to fifteen years. The accumulated depreciation on the assets amounted to approximately \$77,000, and \$62,000, respectively.

Purchases of capital assets for the years ended June 30, 2020 and 2019 totaled approximately \$13,000 and \$0, respectively. Disposals of capital assets for the years ended June 30, 2020 and 2019 totaled approximately \$9,000 and \$26,000, respectively. More detailed information is presented in Note 4 to the financial statements.

The Corporation had no debt for the years ended June 30, 2020 and 2019.

**PUBLIC DEFENDER CORPORATION
THIRTEENTH JUDICIAL CIRCUIT
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020
UNAUDITED**

Economic Factors and Next Year's Budget

The West Virginia Public Defender Services, the Corporation's oversight agency, looked at various factors when approving the budget for the year ending June 30, 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 \$3,041,888. This represents a budget decrease of approximately 0 percent or \$0 from the prior year. Individual budget categories have comparable decreases 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 organization. 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 2827, Charleston, WV 25330-2827.

**PUBLIC DEFENDERS CORPORATION
THIRTEENTH JUDICIAL CIRCUIT
STATEMENT OF NET POSITION
JUNE 30, 2020**

ASSETS

Current Assets:

Cash	\$ 815,197
Accounts Receivable	282,090
Prepaid Insurance	8,070
Total Current Assets	<u>1,105,357</u>

Capital Assets:

Furniture and Fixtures	55,234
Computer Equipment	67,740
Leasehold Improvements	8,000
Less: Accumulated Depreciation	<u>(77,135)</u>
Total Capital Assets, net of Accumulated Depreciation	<u>53,839</u>

TOTAL ASSETS	<u><u>1,159,196</u></u>
---------------------	-------------------------

DEFERRED OUTFLOWS OF RESOURCES

Pension	213,647
Other Post Employment Benefits	<u>155,340</u>

TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u><u>368,987</u></u>
---	-----------------------

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 1,528,183</u></u>
--	----------------------------

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 1,007
Accrued Expenses	2,163
Payroll Withholding and Taxes Payable	51,135
Compensated Absences	<u>171,259</u>
Total Current Liabilities	<u>225,564</u>

Long-Term Liabilities:

Other Post Employment Benefits	614,528
Net Pension Liability	<u>290,276</u>
Total Long-Term Liabilities	<u>904,804</u>

TOTAL LIABILITIES	<u><u>1,130,368</u></u>
--------------------------	-------------------------

DEFERRED INFLOWS OF RESOURCES

Pension	201,375
Other Post Employment Benefits	<u>279,985</u>

TOTAL DEFERRED INFLOWS OF RESOURCES	<u><u>481,360</u></u>
--	-----------------------

NET POSITION

Net Investment in Capital Assets	53,839
Unrestricted	<u>(137,384)</u>

TOTAL NET POSITION	<u><u>(83,545)</u></u>
---------------------------	------------------------

TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	<u><u>\$ 1,528,183</u></u>
--	----------------------------

See accompanying notes to the financial statements.

**PUBLIC DEFENDERS CORPORATION
THIRTEENTH JUDICIAL CIRCUIT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2020**

Operating Revenues	
West Virginia Public Defender Services Grant Revenue	\$ 3,070,488
Other Grant Revenue	<u>65,898</u>
Total Operating Revenues	<u>3,136,386</u>
Operating Expenses:	
Personal Services	2,016,604
Employee Benefits	486,405
Support Services	71,804
Administrative Support	29,067
Office Expense	250,857
Other	1,007
Acquisition	26,268
Depreciation	<u>19,702</u>
Total Operating Expenses	<u>2,901,714</u>
Operating Loss	234,672
Non-Operating Revenues (Expenses):	
Payments on behalf of the Corporation	37,256
Loss on Disposal of Capital Assets	<u>(3,765)</u>
Total Non-Operating Revenues (Expenses)	<u>33,491</u>
Change in Net Position	268,163
Net Position - Beginning	<u>(351,708)</u>
Net Position - End of Year	<u><u>\$ (83,545)</u></u>

See accompanying notes to the financial statements.

**PUBLIC DEFENDER CORPORATION
THIRTEENTH JUDICIAL CIRCUIT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from grants	\$ 2,854,296
Cash paid to suppliers for goods and services	(983,099)
Cash paid to employees	(1,995,279)
NET CASH (USED) BY OPERATING ACTIVITIES	<u>(124,082)</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Additions to Building and Equipment	<u>(12,993)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(12,993)</u>
 NET DECREASE IN CASH AND CASH EQUIVALENTS	(137,075)
 CASH AT BEGINNING OF YEAR	<u>952,272</u>
 CASH AT END OF YEAR	<u><u>\$ 815,197</u></u>
 RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Income (Loss)	\$ 234,672
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Depreciation Expense	19,702
Other Postemployment Benefits Expense - Special Funding Situation	37,256
CHANGE IN ASSETS AND LIABILITIES:	
(Increase) Decrease in:	
Accounts Receivable	(282,090)
Deferred Outflows of Resources	(8,902)
Other Assets	(2,316)
Increase (Decrease) in:	
Accounts Payable	(215)
Deferred Inflows of Resources	70,244
Accrued Expenses	(24,399)
Payroll Withholding and Taxes Payable	(2,175)
Other Post Employment Benefits Payable	(115,783)
Compensated Absences	23,065
Net Pension Liability	<u>(73,141)</u>
 NET CASH (USED) BY OPERATING ACTIVITIES	<u><u>\$ (124,082)</u></u>

See accompanying notes to the financial statements.

**PUBLIC DEFENDERS CORPORATION
THIRTEENTH JUDICIAL CIRCUIT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

NOTE 1 - ORGANIZATION

The Public Defender Corporation for the Thirteenth 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Corporation have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Corporation's accounting principles are described below.

Reporting Entity

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

Net Position

Net Position represents the difference between all other elements of the statement of net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by 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 their use 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.

The Corporation has reported negative net position for the year's ended June 30, 2020 and 2019, caused primarily from long term net liabilities reported for pension and OPEB.

Basis of Accounting

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

Cash and Cash Equivalents

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

**PUBLIC DEFENDERS CORPORATION
THIRTEENTH JUDICIAL CIRCUIT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2020**

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

Capital Assets

Capital assets include furniture, fixtures, and computer equipment. Capital assets are stated at cost at the date of acquisition or construction, or fair market value at the date of donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally three to seven years. The Corporation's capitalization threshold is \$1,000. Depreciation expense for the year ended June 30, 2020 was \$19,702.

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 and vary based upon the employee's length of service. Employees are paid for unused vacation leave at the time of separation of employment.

Length of Service (in years)	Vacation Days Earned per Year	Carryover Maximum Days
0-5	15	30
5-10	18	30
10-15	21	35
15+	24	40

Also, the Corporation grants sick leave based on time worked. Full-time employees earn 18 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.

Risk Management

The Corporation has obtained general, property, casualty and liability coverage for itself and its employees through a third-party insurance company. Any loss in excess of the \$2,000,000 policy limit will be the responsibility of the Corporation.

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

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

**PUBLIC DEFENDERS CORPORATION
THIRTEENTH JUDICIAL CIRCUIT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2020**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating and Nonoperating Revenues

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

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

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

Income Taxes

The Corporation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Corporation is classified by the Internal Revenue Service as an other than a private foundation.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the West Virginia Public Employees Retirement System (the PERS plan), and additions to/deductions from the PERS Plans' fiduciary net position have been determined on the same basis as they are reported by the PERS Plan. 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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement 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.

**PUBLIC DEFENDERS CORPORATION
THIRTEENTH JUDICIAL CIRCUIT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 3 - NEWLY ADOPTED STATEMENTS ISSUED BY GASB

The Governmental Accounting Standards Board has issued Statement No. 90, Majority Equity Interests—An Amendment of GASB Statements No. 14 and No. 61, effective for fiscal years beginning after December 15, 2018. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. The adoption of GASB Statement No. 90 had no impact on the June 30, 2020 financial statements.

NOTE 4 - CAPITAL ASSETS

The following is a summary of the changes in capital assets for the year ended June 30, 2020:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Being Depreciated:				
Furniture and Fixtures	\$ 50,929	\$ 12,993	\$ (8,688)	\$ 55,234
Computer Equipment	67,740	-	-	67,740
Leasehold Improvements	8,000	-	-	8,000
Less Accumulated Depreciation:				
Furniture and Fixtures	(38,311)	(6,739)	4,923	(40,127)
Computer Equipment	(23,312)	(12,429)	-	(35,741)
Leasehold Improvements	(733)	(534)	-	(1,267)
Total Capital Assets Net				
Accumulated Depreciation	<u>\$ 64,313</u>	<u>\$ (6,709)</u>	<u>\$ (3,765)</u>	<u>\$ 53,839</u>

NOTE 5 - 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.

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 benefit provisions:

**PUBLIC DEFENDERS CORPORATION
THIRTEENTH JUDICIAL CIRCUIT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 5 - EMPLOYEE RETIREMENT SYSTEMS AND PLANS (CONTINUED)

Public Employee Retirement System (PERS) (Continued)

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

Authority establishing contribution 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% (Employee hired after July 1, 2015)

Corporation's contribution rate: 10.00% (2020, 2019); 11.00% (2018)

Period required to vest: 5 years – Tier 1, 10 years – Tier 2

Benefits and eligibility for distribution:

Tier 1

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

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	Covered Wages	Amount Contributed
Employer Share – 10.00%	\$ 2,016,604	\$ 1,960,566	\$ 196,056
Tier 1 Employee Share – 4.50%	\$ 1,396,314	\$ 1,359,135	\$ 61,161
Tier 2 Employee Share – 6.00%	\$ 620,290	\$ 601,431	\$ 36,086

**PUBLIC DEFENDERS CORPORATION
THIRTEENTH JUDICIAL CIRCUIT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 5 - EMPLOYEE RETIREMENT SYSTEMS AND PLANS (CONTINUED)

Public Employee Retirement System (PERS) (Continued)

Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Percent Contributed</u>
2020	\$196,056	100.00%
2019	\$198,203	100.00%
2018	\$213,582	100.00%

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 for the Corporation fiscal year ended June 30, 2020. 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 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, the Corporation reported the following proportions and increase/decreases from its proportion measured as of June 30, 2019:

	<u>2020 PERS</u>
Amount for proportionate share of net pension liability	\$ 290,276
Percentage for proportionate share of net pension liability	0.135004%
Change in proportionate share percentage from prior year	-0.005718%

For the years ended June 30, 2020, the Corporation recognized \$125,568 in pension expense.

**PUBLIC DEFENDERS CORPORATION
THIRTEENTH JUDICIAL CIRCUIT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 5 - EMPLOYEE RETIREMENT SYSTEMS AND PLANS (CONTINUED)

Public Employee Retirement System (PERS) (Continued)

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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual Earnings on pension plan investments	\$ -	\$ 104,921
Changes in proportion and differences between contributions and proportionate share of contributions	6,356	17,813
Differences between expected and actual experience	11,235	25,352
Changes of assumption	-	53,289
Contributions subsequent to measurement date	<u>196,056</u>	<u>-</u>
Totals	<u>\$ 213,647</u>	<u>\$ 201,375</u>

For the year ended June 30, 2020 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	<u>2020</u>
2021	(36,603)
2022	(156,361)
2023	(21,280)
2024	<u>30,460</u>
Total	<u>\$ (183,784)</u>

Actuarial Assumptions

The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement.

**PUBLIC DEFENDERS CORPORATION
THIRTEENTH JUDICIAL CIRCUIT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 5 - EMPLOYEE RETIREMENT SYSTEMS AND PLANS (CONTINUED)

Public Employee Retirement System (PERS) (Continued)

Actuarial Assumptions

PERS	June 30, 2019
Actuarial Cost Method	Individual entry age normal cost with level percentage of payroll
Asset Valuation Method	Fair value
Amortization Method	Level dollar, fixed period
Amortization Period	Through Fiscal Year 2035
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Projected Salary Increases:	
PERS:	
State	3.1-5.3%
Nonstate	3.35-6.5%
Inflation Rate	3.00%
Discount Rate	7.50%
	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
Mortality Rates	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
Withdrawal Rates:	
State	2.28-45.63%
Nonstate	2.00-35.88%
Disability Rates	0.005-0.540%
Retirement Rates	12-100%
Date Range in Most Recent Experience Study	2013-2018

The long-term rates 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 table:

**PUBLIC DEFENDERS CORPORATION
THIRTEENTH JUDICIAL CIRCUIT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 5 - EMPLOYEE RETIREMENT SYSTEMS AND PLANS (CONTINUED)

Public Employee Retirement System (PERS) (Continued)

Asset Class	Long-term Expected Rate of Return	PERS Target Asset Allocation
Domestic Equity	5.8%	27.5%
International Equity	7.7%	27.5%
Private Equity	8.8%	10.0%
Fixed Income	3.3%	15.0%
Hedge Fund	4.4%	10.0%
Real Estate	6.1%	10.0%
		<u>100.0%</u>

Discount Rate

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

Sensitivity of the Corporation's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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 8.5%
Proportionate share of PERS net pension asset (liability)	\$ (1,352,129)	\$ (290,276)	\$ 607,985

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.

**PUBLIC DEFENDERS CORPORATION
THIRTEENTH JUDICIAL CIRCUIT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

West Virginia Retiree Health Benefit Trust Fund (RHBT)

Plan Description

The West Virginia Other Postemployment Benefit Plan (the OPEB Plan) is a cost-sharing, multiple-employer, defined benefit other post-employment 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 (the Code). The financial activities of the OPEB Plan are accounted for in the West Virginia Retiree Health Benefit Trust Fund (RHBT), a fiduciary fund of the State of West Virginia. The OPEB Plan is administered by a combination of the West Virginia Public Employees Insurance Agency (PEIA) and the RHBT staff. OPEB Plan benefits are established and revised by PEIA and the RHBT management with approval of their Finance Board. The PEIA issues a publicly available financial report of the RHBT that can be obtained at www.peia.wv.gov or by writing to the West Virginia Public Employees Insurance Agency, 601 57th Street, SE Suite 2, Charleston, WV 25304.

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 administered by a vendor. 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. The RHBT collects employer contributions for Managed Care Organization (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.

Contributions

West Virginia Code section 5-16D-6 assigns to the PEIA Finance Board the authority to establish and amend contribution requirements of the plan members and the participating employers. Participating employers are required by statute to contribute at a rate assessed each year by the RHBT. The annual contractually required rate is the same for all participating employers. Employer contributions represent what the employer was billed during the respective year for their portion of the pay as you go premiums, commonly referred to as paygo, retiree leave conversion billings, and other matters, including billing adjustments. The annual contractually required per active policyholder per month rates for State non-general funded agencies and other participating employers effective June 30, 2020, 2019, and 2018, respectively, were:

**PUBLIC DEFENDERS CORPORATION
THIRTEENTH JUDICIAL CIRCUIT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

West Virginia Retiree Health Benefit Trust Fund (RHBT) (Continued)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Paygo Premium	\$ 168	\$ 183	\$ 177

Contributions to the OPEB plan from the Corporation were \$68,712 and \$76,311 for the years ended June 30, 2020 and 2019, respectively.

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 of West Virginia is a non-employer contributing entity that provides funding through SB 419, effective July 1, 2012, amended by West Virginia Code §11-21-96. The State provides a supplemental pre-funding source dedicating \$30 million annually to the RHBT Fund from annual collections of the Personal Income Tax Fund and dedicated for payment of the unfunded liability of the RHBT. The \$30 million transferred pursuant to this Code shall be transferred until the Governor certifies to the Legislature that an independent actuarial study has determined that the unfunded liability of RHBT has been provided for in its entirety or July 1, 2037, whichever date is later. This funding is to the advantage of all RHBT contributing employers.

The State is a non-employer 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 the 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 the RHBT through June 30, 2020. This funding is to the advantage of all RHBT contributing employers.

The State is a non-employer contributing entity that provides funding through SB 469 which was passed February 10, 2012, granting OPEB liability relief to the 55 County Boards of Education effective July 1, 2012. The public school support plan (PSSP) is a basic foundation allowance program that provides funding to the local school boards for "any amount of the employer's annual required contribution allocated and billed to the county boards for employees who are employed as professional employees, employees who are employed as service personnel and employees who are employed as professional student support personnel", within the limits authorized by the State Code. This special funding under the school aid formula subsidizes employer contributions of the county boards of education.

**PUBLIC DEFENDERS CORPORATION
THIRTEENTH JUDICIAL CIRCUIT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

West Virginia Retiree Health Benefit Trust Fund (RHBT) (Continued)

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

At fiscal year-end, the Corporation reported a liability for its proportionate share of the RHBT net OPEB liability that reflected a reduction for State OPEB support provided to the Corporation. The amount recognized by the Corporation as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the Corporation was as follows:

The Corporation's proportionate share of the net OPEB liability	\$ 614,528
State's special funding proportionate share of the net OPEB liability associated with the Corporation.	<u>125,760</u>
Total portion of net OPEB liability associated with the Corporation	<u>\$ 740,288</u>

The net OPEB liabilities were measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability 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 Corporation's proportion of the net OPEB liability was based on its proportionate share of employer and non-employer contributions to the OPEB Plan for the fiscal year ended on the measurement date. At June 30, 2019, the Corporation reported the following proportions and increase/decrease from its proportion measured as of June 30, 2018:

Percentage for proportionate share of net pension liability	0.037039104%
Change in proportionate share percentage from prior year	0.002998877%

For the year ended June 30, 2020, the Corporation recognized the following OPEB expense and support provided by the State under special funding situations revenue:

	2020
Pension Expense	\$ (19,443)
Support provided by the State under special funding situations revenue	37,256

**PUBLIC DEFENDERS CORPORATION
THIRTEENTH JUDICIAL CIRCUIT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

West Virginia Retiree Health Benefit Trust Fund (RHBT) (Continued)

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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 71,671
Change in assumption		124,631
Net difference between projected and actual earnings on OPEB plan investments	-	6,629
Changes in proportion and differences between the Corporation's contributions and proportionate share of contributions	86,476	60,521
Reallocation of opt-out employer change in proportionate share	152	16,533
The Corporation's contributions subsequent to the measurement date	68,712	-
Total	<u>\$ 155,340</u>	<u>\$ 279,985</u>

For the year ended June 30, 2020 the amount reported as deferred outflows of resources related to OPEB resulting from the Corporation's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	<u>2020</u>
2021	(81,242)
2022	(70,689)
2023	(34,889)
2024	(6,537)
Total	<u>\$ (193,357)</u>

Actuarial Assumptions

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement.

<u>OPEB</u>	<u>June 30, 2019</u>
Actuarial Cost Method	Entry age normal cost method
Asset Valuation Method	Market value
Amortization Method	Level percentage of payroll over a 20-year closed period
Amortization Period	20 years closed as of June 30, 2018

**PUBLIC DEFENDERS CORPORATION
THIRTEENTH JUDICIAL CIRCUIT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

West Virginia Retiree Health Benefit Trust Fund (RHBT) (Continued)

Actuarial Assumptions (Continued)

OPEB	June 30, 2019
Investment Rate of Return	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
Inflation Rate	2.75%
Discount Rate	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.
Mortality Rates	Post-Retirement: RP-2000 Healthy Annuitant Mortality Table projected with Scale AA on a full general basis.
Date Range in Most Recent Experience Study	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 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 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 were 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 percentage. Target asset allocations, capital market assumptions, and a 10-year forecast of nominal geometric returns by

**PUBLIC DEFENDERS CORPORATION
THIRTEENTH JUDICIAL CIRCUIT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

West Virginia Retiree Health Benefit Trust Fund (RHBT) (Continued)

Actuarial assumptions (Continued)

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 BTI 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
International Global Equity	49.5%	4.8%
Core Plus Fixed Income	13.5%	2.1%
Hedge Fund	9.0%	2.4%
Private Equity	9.0%	6.8%
Core Real Estate	9.0%	4.1%
Cash and cash equivalents	10.0%	0.3%

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.

Other Key Assumptions

Members hired on or after July 1, 2010, are required to pay 100% of expected cost of coverage, resulting in no implicit or explicit employer cost. Consequently, these members are excluded from the actuarial valuation.

Subsequent Event

Subsequent to the OPEB valuation with a measurement date of June 30, 2019 a global pandemic was declared by the World Health Organization due to an outbreak and spread of the coronavirus COVID-19 virus. The pandemic is impacting local and national economies. The extent of the impact of the pandemic on the Plans operations and net OPEB liability is unknown and will depend on certain developments, including the duration and spread of the virus, impact on plan participants, employees and vendors, and governmental, regulatory and private sector responses. On March 10, 2020, PEIA issued a policy for COVID-19 effective through September 30, 2020, which provides for certain COVID-19 related benefits and coverage. It also extended telemedicine, certain precertification requirements, dependent coverage, and COBRA benefits. Certain benefits are further extended to the end of the COVID-19 emergency period.

**PUBLIC DEFENDERS CORPORATION
THIRTEENTH JUDICIAL CIRCUIT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

West Virginia Retiree Health Benefit Trust Fund (RHBT) (Continued)

This policy was not deemed to require re-measurement of the OPEB valuation. The OPEB valuation with a measurement date of June 30, 2019, does not reflect the recent and still developing impact of COVID-19, which is likely to influence healthcare claims experience, demographic experience and economic expectations. As these factors related to the pandemic develop, they could result in significant changes in assumptions for future valuations, which could result in significant changes to reported estimated net OPEB liability.

Sensitivity of the Corporation's Proportionate Share of Net OPEB Liability to Changes in the Discount Rate.

The following presents the Corporation's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the Corporation's proportionate share of the net OPEB 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:

	<u>1% Decrease (6.15%)</u>	<u>Current Discount Rate (7.15%)</u>	<u>1% Increase (8.15%)</u>
The Corporation's proportionate share of the net OPEB liability	\$ 733,421	\$ 614,528	\$ 515,034

Sensitivity of the Corporation's Proportionate Share of Net OPEB Liability to Changes in the Healthcare Cost Trend Rates.

The following presents the Corporation's proportionate share of the net OPEB liability, as well as what the Corporation's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage point higher than the current rates:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
The Corporation's proportionate share of the net OPEB liability	\$ 495,528	\$ 614,528	\$ 758,934

NOTE 7 – CONCENTRATIONS

The Corporation maintains its account balances in a local financial institution. The account is insured by the Federal Deposit Insurance Corporation up to \$250,000. Additionally, the financial institution has provided collateral in the form of a treasury bond. The Corporation's bank balance at June 30, 2020 was \$833,731.

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

**PUBLIC DEFENDERS CORPORATION
THIRTEENTH JUDICIAL CIRCUIT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 8 - LONG-TERM OBLIGATIONS

Changes in long-term obligations of the Corporation during the year ended June 30, 2020 were as follows:

	Balance at June 30, 2019	Additions	Retirements	Balance at June 30, 2020	Due Within One Year
Compensated Absences	\$ 148,194	\$ 23,065	\$ -	\$ 171,259	\$ 171,259
OPEB	730,311	-	(115,783)	614,528	-
Net Pension Liability	<u>363,417</u>	<u>-</u>	<u>(73,141)</u>	<u>290,276</u>	<u>-</u>
Total	<u>\$ 1,241,922</u>	<u>\$ 23,065</u>	<u>\$ (188,924)</u>	<u>\$ 1,076,063</u>	<u>\$ 171,259</u>

NOTE 9 - OPERATING LEASE OBLIGATIONS

The Corporation entered into a lease agreement for its facility beginning on October 30, 2017 to end at midnight on the June 30, 2030. Aggregate payments under this agreement were \$126,941 for the year ended June 30, 2020.

Year ending June 30,	Future Minimum Lease Payments
2021	129,480
2022	132,070
2023	134,711
2024	138,752
2025	142,915
2026	147,203
2027	151,619
2028	156,167
2029	160,852
2030	165,678
Total	<u>\$ 1,459,447</u>

NOTE 10 - 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.

**PUBLIC DEFENDERS CORPORATION
THIRTEENTH JUDICIAL CIRCUIT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 11 - CASH HELD AT FISCAL YEAR-END

At June 30, 2020, the Corporation held cash and cash equivalents of \$815,197, 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.

NOTE 12 - SUBSEQUENT EVENTS

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

**PUBLIC DEFENDER CORPORATION
THIRTEENTH JUDICIAL CIRCUIT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
June 30, 2020**

Public Employees Retirement System

	2019	2018	2017	2016	2015	2014	2013
Corporation's proportion of the net pension liability (asset) (percentage)	0.135004%	0.140722%	0.138542%	0.139634%	0.139740%	0.157251%	0.160533%
Corporation's proportionate share of the net pension liability (asset)	\$ 290,276	\$ 363,417	\$ 598,011	\$ 1,283,401	\$ 753,700	\$ 580,359	\$ 1,463,471
Corporation's covered-employee payroll	\$ 1,982,030	\$ 1,941,658	\$ 1,902,033	\$ 1,924,141	\$ 2,185,553	\$ 2,105,759	\$ 2,148,629
Corporation's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	14.65%	18.72%	31.44%	66.70%	34.49%	27.56%	68.11%
Plan fiduciary net position as a percentage of the total pension liability	96.99%	96.33%	93.67%	86.11%	94.23%	91.29%	79.70%

This chart will be built prospectively

**PUBLIC DEFENDER CORPORATION
THIRTEENTH JUDICIAL CIRCUIT
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2020**

Public Employees Retirement System

	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 196,056	\$ 198,203	\$ 213,582	\$ 228,244	\$ 259,759	\$ 256,261	\$ 305,335	\$ 300,808
Contributions in relation to contractually required contribution	<u>(196,056)</u>	<u>(198,203)</u>	<u>(213,582)</u>	<u>(228,244)</u>	<u>(259,759)</u>	<u>(251,734)</u>	<u>(305,335)</u>	<u>(300,808)</u>
Contribution deficit (surplus)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,527</u>	<u>\$ -</u>	<u>\$ -</u>
Corporation's covered-employee payroll	\$ 1,960,566	\$ 1,982,030	\$ 1,941,658	\$ 1,902,033	\$ 1,924,141	\$ 2,185,553	\$ 2,105,759	\$ 2,148,629
Contributions as a percentage of covered-employee payroll	10.00%	10.00%	11.00%	12.00%	13.50%	11.73%	14.50%	14.00%

This chart will be built prospectively

**PUBLIC DEFENDER CORPORATION
THIRTEENTH JUDICIAL CIRCUIT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
JUNE 30, 2020**

Retiree Health Benefit Trust

	2019	2018	2017	2016
Corporation's proportion of the net OPEB liability (asset) (percentage)	0.03370391%	0.03404023%	0.03138755%	0.03809023%
Corporation's proportionate share of the net OPEB liability (asset)	\$ 614,528	\$ 730,311	\$ 771,816	\$ 945,904
State's proportionate share of the net OPEB liability (asset) associated with the Corporation	<u>125,760</u>	<u>150,936</u>	<u>158,533</u>	<u>-</u>
Total	<u>\$ 740,288</u>	<u>\$ 881,247</u>	<u>\$ 930,349</u>	<u>\$ 945,904</u>
Corporation's covered-employee payroll	\$ 1,904,170	\$1,777,575	\$1,745,325	\$1,764,969
Corporation's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	32.27%	41.08%	44.22%	53.59%
Plan fiduciary net position as a percentage of the total OPEB liability	39.69%	30.98%	25.10%	21.64%

Information prior to 2016 is not available.

This schedule will be build prospectively

**PUBLIC DEFENDER CORPORATION
THIRTEENTH JUDICIAL CIRCUIT
SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS
JUNE 30, 2020**

Retiree Health Benefit Trust

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 68,712	\$ 76,311	\$ 69,738	\$ 64,470
Contributions in relation to contractually required contribution	<u>(68,712)</u>	<u>(76,311)</u>	<u>(69,738)</u>	<u>(64,470)</u>
Contribution deficit (surplus)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Corporation's covered-employee payroll	\$ 1,853,213	\$ 1,904,170	\$ 1,777,575	\$ 1,745,325
Contributions as a percentage of covered-employee payroll	3.71%	4.01%	3.92%	3.69%

The schedule will be built prospectively

**PUBLIC DEFENDER CORPORATION
THIRTEENTH JUDICIAL CIRCUIT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

Note 1 – Trend Information & Changes in Assumptions 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

The 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.

**PUBLIC DEFENDER CORPORATION
THIRTEENTH JUDICIAL CIRCUIT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

Note 1 – Trend Information & Changes in Assumptions PERS (Continued)

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:

<u>PERS</u>	<u>2019</u>	<u>2015-2018</u>	<u>2014</u>
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 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-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 Disabled females – 107% 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
Withdrawal rates			
State	2.28-45.63%	1.75 - 35.1%	1 – 26%
Nonstate	2.00-35.88%	2 - 35.8%	2 – 31.2%
Disability rates	0.005-0.540%	0.007 - .675%	0 – .8%

Note 2 – Trend Information & Changes in Assumptions OPEB

Trend Information Presented

The accompanying schedules of the Corporation's proportionate share of the net OPEB liability and contributions to 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.

**PUBLIC DEFENDER CORPORATION
THIRTEENTH JUDICIAL CIRCUIT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

Note 2 – Trend Information & Changes in Assumptions OPEB (Continued)

Trend Information Presented

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 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
THIRTEENTH JUDICIAL CIRCUIT
SCHEDULE OF BUDGET TO ACTUAL EXPENSES - CASH BASIS
YEAR ENDED JUNE 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Under/(Over) Budget to Actual</u>
Compensation and Benefits	\$ 2,628,431	\$ 2,595,837	\$ 32,594
Operations	413,457	382,541	30,916
Total operating expenses	<u>\$ 3,041,888</u>	<u>\$ 2,978,378</u>	<u>\$ 63,510</u>

**Public Defender Corporation
for the Thirteenth 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

**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
Thirteenth 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 Thirteenth 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.

Board of Directors
Public Defender Corporation
for the Thirteenth Judicial Circuit
Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters

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 THIRTEENTH JUDICIAL CIRCUIT**

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2020

NONE