

PUBLIC DEFENDER CORPORATION FOR THE TWENTY-EIGHTH JUDICIAL CIRCUIT

YEARS ENDED JUNE 30, 2020 AND 2019

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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 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.

Pittsburgh, Pennsylvania
October 5, 2020

**PUBLIC DEFENDER CORPORATION
FOR THE TWENTY-EIGHTH JUDICIAL CIRCUIT
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019
UNAUDITED**

This management's discussion and analysis of the Public Defender Corporation for the Twenty-Eighth 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 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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Assets			
Capital Assets	\$ 12,076	\$ 14,973	\$ 19,151
Other Assets	122,922	133,512	136,957
Total Assets	<u>134,998</u>	<u>148,485</u>	<u>156,108</u>
 Deferred Outflow of Resources	 32,988	 35,178	 37,252
Liabilities			
Long-term Liabilities	83,197	107,366	139,397
Short-term Liabilities	29,456	13,838	19,000
Total Liabilities	<u>112,653</u>	<u>121,204</u>	<u>158,397</u>
 Deferred Inflow of Resources	 47,255	 42,589	 34,680
Net Position			
Net Investment in Capital Assets	12,076	14,973	19,151
Unrestricted (Deficit)	(3,998)	4,897	(18,868)
Total Net Position	<u>\$ 8,078</u>	<u>\$ 19,870</u>	<u>\$ 283</u>

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating Revenue	\$ 333,044	\$ 310,521	\$ 313,505
Operating Expenses	347,944	297,501	306,912
Operating Income (Loss)	<u>(14,900)</u>	<u>13,020</u>	<u>6,593</u>
Non-Operating Revenue	<u>3,108</u>	<u>6,567</u>	<u>4,584</u>
Change in Net Position	(11,792)	19,587	11,177
Net Position at Beginning of Year	19,870	283	(10,894)
Net Position at End of Year	<u>\$ 8,078</u>	<u>\$ 19,870</u>	<u>\$ 283</u>

Detailed Financial Analysis of the Corporation

Grant income increased by \$22,523 and cash held by the Corporation decreased by \$38,342 as a result of operating expenses exceeding operating revenues for the fiscal year ended June 30, 2020.

Operating expenses for the fiscal year increased by \$50,443. This increase is mostly attributable to an increase in personal services, employee benefits, and support services.

Capital Asset and Debt Activity

As of June 30, 2020, 2019, and 2018, the Corporation had capital assets costing \$110,358, \$110,358, and \$110,358, respectively. The Corporation's capital assets include land, buildings, furniture and fixtures, and office and computer equipment. The assets were being depreciated over useful lives of three to twenty-five years. The accumulated depreciation on the assets amounted to \$98,282, \$95,385, and \$91,207, respectively. There were no asset disposals during the current year. More detailed information is presented in Note 7 to the financial statements. The Corporation had no debt for the years ended June 30, 2020, 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% to .20% for the years ended June 30, 2020, 2019, 2018. Interest earned on the account for the years ended June 30, 2020, 2019, and 2018 amounted to \$155, \$674, and \$87, respectively.

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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 \$333,045. This represents a budget increase of approximately 5.00%. All budgeted items are within a reasonable amount to the prior 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 Public Defender Corporation, 723 Main Street, Summersville, WV 26651.

**PUBLIC DEFENDER CORPORATION
FOR THE TWENTY-EIGHTH JUDICIAL CIRCUIT
STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019**

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 95,170	\$ 133,512
Grant receivable	27,752	-
Total current assets	122,922	133,512
Capital assets		
Land	3,000	3,000
Building and improvements	68,771	68,771
Computer and equipment	29,755	29,755
Furniture and fixtures	8,832	8,832
	110,358	110,358
Less accumulated depreciation	(98,282)	(95,385)
Capital assets, net	12,076	14,973
 Total assets	 134,998	 148,485
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pensions	23,827	24,497
Deferred Outflows Related to OBEB	9,161	10,681
	32,988	35,178
 Total Assets and Deferred Outflows of Resources	 \$ 167,986	 \$ 183,663
 LIABILITIES		
Current liabilities		
Accrued expenses	\$ 760	\$ 180
Compensated absences	28,696	13,658
Total current liabilities	29,456	13,838
Long term liabilities		
Other post employment benefit liability	51,579	66,899
Net pension liability	31,618	40,467
Total long term liabilities	83,197	107,366
 Total liabilities	 112,653	 121,204
 DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pension	23,016	24,748
Deferred Inflows Related to OBEB	24,239	17,841
	47,255	42,589
 NET POSITION		
Net investment in capital assets	12,076	14,973
Unrestricted (deficit)	(3,998)	4,897
Total net position	8,078	19,870
 Total Liabilities, Deferred Inflows of Resources and Net Position	 \$ 167,986	 \$ 183,663

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

**PUBLIC DEFENDER CORPORATION
FOR THE TWENTY-EIGHTH 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	\$ 333,044	\$ 310,521
Total operating revenues	333,044	310,521
OPERATING EXPENSES		
Personal services	241,899	216,329
Employee benefits	55,574	42,114
Support services	20,316	2,703
Administrative support	3,606	5,520
Office	19,447	19,258
Other	545	514
Acquisition	3,660	6,885
Depreciation	2,897	4,178
Total operating expenses	347,944	297,501
Operating income (loss)	(14,900)	13,020
NONOPERATING REVENUES		
OPEB Special funding revenue	2,953	5,893
Interest income	155	674
Total nonoperating revenues	3,108	6,567
Change in net position	(11,792)	19,587
Net position, beginning of year	19,870	283
Net position, end of year	\$ 8,078	\$ 19,870

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

**PUBLIC DEFENDER CORPORATION
FOR THE TWENTY-EIGHTH JUDICIAL CIRCUIT
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grants	\$ 305,292	\$ 310,521
Cash paid for expenses	(343,789)	(285,781)
Net cash provided by (used in) operating activities	(38,497)	24,740
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received as interest	155	674
Net cash provided by (used in) investing activities	155	674
Net increase (decrease) in cash and cash equivalents	(38,342)	25,414
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	\$ 133,512	\$ 108,098
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 95,170	\$ 133,512
RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (14,900)	\$ 13,020
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:		
Depreciation	2,897	4,178
State OPEB support expense	2,953	5,893
(Increase) decrease in operating assets		
Accounts receivable	(27,752)	28,859
Deferred outflows	2,190	2,074
Increase (decrease) in operating liabilities		
Accrued expenses	579	(1,264)
Compensated absences	15,039	(3,897)
Pension liability	(8,849)	(27,602)
Deferred inflows	4,666	7,909
Other postemployment benefit liability	(15,320)	(4,430)
Total adjustments	(23,597)	11,720
Net cash provided by (used in) operating activities	\$ (38,497)	\$ 24,740

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

**PUBLIC DEFENDER CORPORATION
FOR THE TWENTY-EIGHTH JUDICIAL CIRCUIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Reporting Entity

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

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

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

Enterprise Funds

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

Basis of Accounting

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

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

**PUBLIC DEFENDER CORPORATION
FOR THE TWENTY-EIGHTH JUDICIAL CIRCUIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

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

Capital Assets

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

Estimated useful lives of the assets are as follows:

Structures and Improvements	3-25 years
Office Equipment	3-10 years
Furniture and Fixtures	3-10 years

Net Position

Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the Corporation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Corporation's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. No portion of the Corporation's net position was restricted at June 30, 2020 or 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 6.

Budgetary

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

**PUBLIC DEFENDER CORPORATION
FOR THE TWENTY-EIGHTH JUDICIAL CIRCUIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pension

For purposes of measuring the net pension liability and deferred outflows/inflows of the resources related to pensions, and pension expense, information about the fiduciary net position of the Corporation's Public Employee Retirement System (PERS), and additions to/deductions from the 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 Post-Employment Benefits (OPEB)

It is the Corporation's policy to permit employees to accumulate earned but unused sick pay benefits. Sick benefits can be accumulated to a maximum of 480 hours and can be carried forward to the subsequent fiscal year. When separated from employment, employees' sick leave benefits can be cashed out for one tenth of the cash value. 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 5 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.

**PUBLIC DEFENDER CORPORATION
FOR THE TWENTY-EIGHTH JUDICIAL CIRCUIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 and 2019.

NOTE 2 CASH HELD AT FISCAL YEAR END

At June 30, 2020 and 2019, the Corporation held cash and cash equivalents of \$95,170 and \$133,512, respectively, 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.

Custodial credit risk is the risk that in the event of bank failure, the Corporation's deposits may not be returned to it. According to state law, public depositories must give security for all public funds in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The Corporation's policy is to deposit money with financial institutions that are able to abide by the laws covering insurance and collateralization of public funds.

As of June 30, 2020 and 2019, \$98,241 and \$147,178, respectively, of the Corporation's bank balances were covered by the Federal Depository Insurance Corporation each year.

**PUBLIC DEFENDER CORPORATION
FOR THE TWENTY-EIGHTH JUDICIAL CIRCUIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 3 COMPENSATED ABSENCES AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual vacation balances. Estimated obligations arise for vacation leave at the current rate of employee pay. Employees with less than 5 years of continuous full-time employment during any period earn 15 days per year. Employees with 5 years, but less than 10 years of full-time employment during any continuous 10-year period, earn 18 days per year. Employees with 10 years, but less than 15 years of full-time employment during any continuous 15-year period, earn 21 days per year. Employees with 15 years or more of full-time employment earn 24 days per year.

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.

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PLANS

Retirement Health Plan

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

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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PLANS (CONTINUED)

Public Employee Retirement System (PERS) (Continued)

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 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% for FY 2020 and FY 2019
Period required to vest:	5 years

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

**PUBLIC DEFENDER CORPORATION
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PLANS (CONTINUED)

Public Employee Retirement System (PERS) (Continued)

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

<u>Percentage of Payroll</u>	<u>Total Wages</u>	<u>Coverage Wages</u>	<u>Amount Contributed</u>
Employer Share - 10%	\$ 221,444	\$ 221,444	\$ 22,144
Tier 1 Employee Share - 4.5%	221,444	221,444	9,965

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

<u>Percentage of Payroll</u>	<u>Total Wages</u>	<u>Coverage Wages</u>	<u>Amount Contributed</u>
Employer Share - 10%	\$ 215,886	\$ 215,886	\$ 21,589
Tier 1 Employee Share - 4.5%	215,886	215,886	9,715

Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Percent Contributed</u>
2020	\$ 22,144	100.00%
2019	\$ 21,589	100.00%
2018	\$ 23,815	100.00%

For 2020, the required contribution was \$22,144. 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.

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NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PLANS (CONTINUED)

Public Employee Retirement System (PERS) (Continued)

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, 2018 and 2017 for the Corporation fiscal years ended June 30, 2019 and 2018, 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	\$ 31,618	\$ 40,467
Percentage for proportionate share of net pension liability	0.014705%	0.015669%
Increase/(decrease) in % from prior proportion measured	-0.000964%	-0.000101%

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

	2020 PERS	2019 PERS
Pension Expense	\$ 12,234	\$ 4,571

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:

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 11,428
Differences between projected and actual experiences	1,224	2,761
Changes in proportion and differences between contributions and proportionate share of contributions	458	3,023
Changes in assumptions	-	5,804
Contributions subsequent to measurement date	22,145	-
Totals	<u>\$ 23,827</u>	<u>\$ 23,016</u>

NOTE 4 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, 2019:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 23,813
Differences between projected and actual experiences	2,007	100
Changes in proportion and differences between contributions and proportionate share of contributions	901	835
Contributions subsequent to measurement date	21,589	-
Totals	<u>\$ 24,497</u>	<u>\$ 24,748</u>

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 Ended June 30:	2020	Year Ended June 30:	2019
2021	\$ (4,337)	2020	\$ 3,068
2022	(17,822)	2021	(3,267)
2023	(2,492)	2022	(17,609)
2024	3,317	2023	(4,032)
Total	<u>\$ (21,334)</u>	Total	<u>\$ (21,840)</u>

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NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PLANS (CONTINUED)

Public Employee Retirement System (PERS) (Continued)

Actuarial assumptions

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

PERS	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%
Inflation Rate	3.00%	3.00%
Discount Rate	7.50%	7.50%
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 Femal 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-200 Healthy Annuitant, Scale AA fully generational, Disabled Males-96% of RP2000 Disabled Annuitant, Scale AA fully generational, Disabled Females - 107% of RP-2000 Disabled Annuitant, Scale AA fully generational
Withdrawal Rates:		
State	2.28-45.63%	1.75-35.1%
Nonstate	2.00-35.88%	2-35.88%
Disability Rates	0.005-0.540%	0.007-.675%
Retirement Rates	12-100%	12-100%
Date Range in Most Recent Experience Study	2013-2018	2009-2014

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NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PLANS (CONTINUED)

Public Employee Retirement System (PERS) (Continued)

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	
<u>Asset Class</u>	Long-term Expected Rate of Return	PERS Target Asset Allocation
US 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	
<u>Asset Class</u>	Long-term Expected Rate of Return	PERS Target Asset Allocation
US 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%

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NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PLANS (CONTINUED)

Public Employee Retirement System (PERS) (Continued)

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	\$ 147,277	\$ 31,618	\$ (66,223)
2019	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Proportionate share of PERS's Net pension liability	\$ 162,963	\$ 40,467	\$ (63,165)

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.

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NOTE 5 OTHER POST-EMPLOYMENT BENEFIT PLAN

West Virginia Retiree Health Benefit Trust Fund (RHBT)

Plan description:

The Corporation participates in the West Virginia Other Postemployment Benefit Plan (the Plan) 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 Plan are accounted for in the West Virginia Retiree Health Benefit Trust Fund (RHBT), a fiduciary fund of the State of West Virginia. 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 other post-employment benefit 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. 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.

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.

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NOTE 5 OTHER POST-EMPLOYMENT BENEFIT PLAN (CONTINUED)

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

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

The Corporation's contributions to the West Virginia Retiree Health Benefit Trust Fund for the years ended June 30, 2020 and 2019 were \$6,048 and \$6,405, 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 of West Virginia (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 requires 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 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.

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.

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NOTE 5 OTHER POST-EMPLOYMENT BENEFIT PLAN (CONTINUED)

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

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 fiscal years ended June 30, 2020. The total OPEB liability used to calculate the net OPEB 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 and 2019, the Corporation reported the following proportions and increase/decreases from its proportion measured as of June 30, 2019 and 2018:

	<u>2020</u>	<u>2019</u>
Corporation's proportionate share of the net OPEB liability	\$ 51,579	\$ 66,899
States proportional share of the net OPEB liability associated with the Corporation	<u>9,967</u>	<u>19,278</u>
Total Portion of the net OPEB liability associated with the Corporation	<u>\$ 61,546</u>	<u>\$ 86,177</u>

	<u>2020</u>	<u>2019</u>
Amount for proportionate share of net OPEB liability	\$ 51,579	\$ 66,899
Percentage for proportionate share of net OPEB liability	0.003108798%	0.003118189%
Increase/(decrease) in % from prior proportion measured	-0.000009391%	0.000217484%

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

	<u>2020</u>	<u>2019</u>
OPEB expense Corporation	\$ (1,353)	\$ 1,375
OPEB expense State support	<u>2,953</u>	<u>5,893</u>
Total OPEB expense	<u>\$ 1,600</u>	<u>\$ 7,268</u>
State support revenue	\$ 2,953	\$ 5,893

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NOTE 5 OTHER POST-EMPLOYMENT BENEFIT PLAN (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 years ended June 30, 2020:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ -	\$ 557
Differences between projected and actual experiences	-	6,016
Deferred differences in assumptions	-	10,461
Changes in proportion and differences between contributions and proportionate share of contributions	3,113	7,205
Contributions subsequent to measurement date	6,048	-
Totals	<u>\$ 9,161</u>	<u>\$ 24,239</u>

The Corporation reported deferred outflows of resources in the amount of \$6,048 related to OPEB from contributions subsequent to the measurement date for the year ended June 30, 2020.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ -	\$ 1,238
Differences between projected and actual experiences	-	990
Deferred differences in assumptions	-	6,680
Changes in proportion and differences between contributions and proportionate share of contributions	4,276	8,933
Contributions subsequent to measurement date	6,405	-
Totals	<u>\$ 10,681</u>	<u>\$ 17,841</u>

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NOTE 5 OTHER POST-EMPLOYMENT BENEFIT PLAN (CONTINUED)

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

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 Ended June 30:	2020	Year Ended June 30:	2019
2021	\$ (8,460)	2020	\$ (4,627)
2022	(7,482)	2021	(4,627)
2023	(4,243)	2022	(3,668)
2024	(941)	2023	(643)
Total	<u>\$ (21,126)</u>	Total	<u>\$ (13,565)</u>

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 have been reflected in the its balances for the Plan year ended June 30, 2019.

Actuarial assumptions

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

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NOTE 5 OTHER POST-EMPLOYMENT BENEFIT PLAN (CONTINUED)

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

OPEB	June 30, 2019	June 30, 2018
Actuarial Cost Method	Entry age normal cost method	Entry age normal cost method
Asset Valuation Method	Fair value	Fair value
Amortization Method	Level percentage of payroll, closed	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.
Mortality Rates	Post-Retirement: RP-2000 Health Annuitant Mortality Table projected with Scale AA on a fully generational basis; Pre-Retirement: RP-2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis	Post-Retirement: RP-2000 Health Annuitant Mortality Table projected with Scale AA on a fully generational basis; Pre-Retirement: RP-2000 Non-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

The long term expected rate of return of 7.15% on the 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 WV Investment Management Board and an expected short-term rate of return of 3.00% for assets invested with the West Virginia Board of Treasury Investments.

Long-term pre-funding assets are invested 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.

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NOTE 5 OTHER POST-EMPLOYMENT BENEFIT PLAN (CONTINUED)

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

The long-term expected rate of return on OPEB plan investments were determined using a building-block method in which estimates of expected future real rates of returns (expected returns, net of OPEB 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. Target asset allocations, capital markets assumptions, and a 10-year forecast of nominal geometric returns by major asset class were provided by the plan's investments advisors, including the West Virginia Investment Management Board (WV-IMB). The projected nominal return for the Money Market Pool held with the West Virginia Board of Treasury Investments was estimated based on WV-IMB assumed inflation of 2.0% plus a 25 basis point spread. The best estimates of geometric rates of return for each asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Return</u>	<u>Target Asset Allocation</u>
Global Equity	4.8%	49.5%
Core Plus Fixed Income	2.1%	13.5%
Core Real Estate	4.1%	9.0%
Hedge Fund	2.4%	9.0%
Private Equity	6.8%	9.0%
Cash and Cash Equivalents	0.3%	10.0%
		<u>100.0%</u>

Discount Rate

A single discount rate of 7.15% was used to measure the total OPEB liability. This single discount rate was based on the expected rate of return on OPEB plan investments of 7.15% and a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date to the extent benefits are effectively financed on a pay-as-you-go basis. The long-term municipal bond rate used to develop the single discount rate was 3.62% as of the beginning of the year and 3.13% as of the end of the year. The projections of cash flows used to determine this single discount rate assumed that employer contributions will be made in accordance with the 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 discount rate used to measure the total OPEB liability did not change for the June 30, 2018 valuation from the June 30, 2017 valuation.

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NOTE 5 OTHER POST-EMPLOYMENT BENEFIT PLAN (CONTINUED)

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

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 one-percentage-point lower or one-percentage point higher than the current rate:

2020	1% Decrease 6.15%	Current Discount Rate 7.15%	1% Increase 8.15%
Proportionate share of OPEBs Net OPEB liability	\$ 61,558	\$ 51,579	\$ 43,228
2019	1% Decrease 6.15%	Current Discount Rate 7.15%	1% Increase 8.15%
Proportionate share of OPEBs Net OPEB liability	\$ 78,626	\$ 66,899	\$ 57,123

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 one percent and the impact of using a discount rate that is one-percentage-point higher or lower than the current rate.

2020	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Proportionate share of OPEB's Net OPEB liability	\$ 41,591	\$ 51,579	\$ 63,700
2019	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Proportionate share of OPEB's Net OPEB liability	\$ 55,355	\$ 66,899	\$ 80,964

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NOTE 6 RISK MANAGEMENT

The Corporation has obtained general, property, casualty and liability coverage for itself and its employees through third party insurance companies. Any loss in excess of the \$500,000 policy limit will be the responsibility of the Corporation.

Public Employees Insurance Agency (PEIA)

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

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

Workers Compensation Fund (WCF)

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

Other Commercial Coverage

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

During the year ended June 30, 2020 the Corporation did not reduce insurance coverage's from coverage levels in place as of June 30, 2019. No settlements have exceeded coverage levels in place during the past three years.

**PUBLIC DEFENDER CORPORATION
FOR THE TWENTY-EIGHTH JUDICIAL CIRCUIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 7 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 not Being Depreciated:				
Land	\$ 3,000	\$ -	\$ -	\$ 3,000
Total Capital Assets not Being Depreciated	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>3,000</u>
Capital Assets Being Depreciated:				
Building	68,771	-	-	68,771
Computer Equipment	29,755	-	-	29,755
Furniture and Fixtures	8,832	-	-	8,832
Less: Accumulated Depreciation:				
Building	(58,819)	(2,557)	-	(61,376)
Computer Equipment	(26,667)	(1,546)	-	(28,213)
Furniture and Fixtures	(9,899)	-	1,206	(8,693)
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	<u>11,973</u>	<u>(4,103)</u>	<u>1,206</u>	<u>9,076</u>
Total Capital Assets Net Accumulated Depreciation	<u>\$ 14,973</u>	<u>\$ (4,103)</u>	<u>\$ 1,206</u>	<u>\$ 12,076</u>

The following is a summary of the changes in capital assets for the year ended June 30, 2019:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not Being Depreciated:				
Land	\$ 3,000	\$ -	\$ -	\$ 3,000
Total Capital Assets not Being Depreciated	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>3,000</u>
Capital Assets Being Depreciated:				
Building	68,771	-	-	68,771
Computer Equipment	29,755	-	-	29,755
Furniture and Fixtures	8,832	-	-	8,832
Less: Accumulated Depreciation:				
Building	(56,262)	(2,557)	-	(58,819)
Computer Equipment	(25,759)	(908)	-	(26,667)
Furniture and Fixtures	(9,186)	(713)	-	(9,899)
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	<u>16,151</u>	<u>(4,178)</u>	<u>-</u>	<u>11,973</u>
Total Capital Assets Net Accumulated Depreciation	<u>\$ 19,151</u>	<u>\$ (4,178)</u>	<u>\$ -</u>	<u>\$ 14,973</u>

**PUBLIC DEFENDER CORPORATION
FOR THE TWENTY-EIGHTH JUDICIAL CIRCUIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

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	Reductions	Balance at June 30, 2020	Due Within One Year
Compensated Absences	\$ 13,658	\$ 16,148	\$ (1,110)	\$ 28,696	\$ 28,696
Net OPEB Liability	66,899	-	(15,320)	51,579	-
Net Pension Liability	40,467	-	(8,849)	31,618	-
Total	<u>\$ 121,024</u>	<u>\$ 16,148</u>	<u>\$ (25,279)</u>	<u>\$ 111,893</u>	<u>\$ 28,696</u>

Changes in long-term obligations of the Corporation during the year ended June 30, 2019 were as follows:

	Balance at June 30, 2018	Additions	Reductions	Balance at June 30, 2019	Due Within One Year
Compensated Absences	\$ 17,555	\$ -	\$ (3,897)	\$ 13,658	\$ 13,658
Net OPEB Liability	71,328	-	(4,429)	66,899	-
Net Pension Liability	68,069	-	(27,602)	40,467	-
Total	<u>\$ 156,952</u>	<u>\$ -</u>	<u>\$ (35,928)</u>	<u>\$ 121,024</u>	<u>\$ 13,658</u>

NOTE 9 CONTINGENCIES

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

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

**PUBLIC DEFENDER CORPORATION
FOR THE TWENTY-EIGHTH JUDICIAL CIRCUIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 10 SUBSEQUENT EVENTS

The Corporation evaluated subsequent events to the date of the statement of financial position through the Independent Auditor's Report date, which is the date the financial statements were available to be issued. Management is currently evaluating the impact of the COVID-19 pandemic on the industry and has concluded that while it is reasonably possible that the virus could have an impact on the Corporation's financial position, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**PUBLIC DEFENDER CORPORATION
FOR THE TWENTY-EIGHTH JUDICIAL CIRCUIT
SCHEDULE OF CORPORATION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2020**

Public Employees Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Corporation's proportion of the net pension liability (asset) (percentage)	0.014705%	0.015669%	0.015770%	0.015471%	0.015731%	0.015646%	0.015590%
Corporation's proportionate share of the net pension liability (asset)	\$ 31,618	\$ 40,467	\$ 68,069	\$ 142,198	\$ 87,843	\$ 57,744	\$ 142,634
Corporation's covered-employee payroll	\$ 215,886	\$ 216,501	\$ 216,501	\$ 213,192	\$ 217,621	\$ 230,207	\$ 208,664
Corporation's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	14.65%	18.69%	31.44%	66.70%	40.37%	25.08%	68.36%
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%

Information prior to 2013 is not available.

This schedule will be build prospectively

**PUBLIC DEFENDER CORPORATION
FOR THE TWENTY-EIGHTH JUDICIAL CIRCUIT
SCHEDULE OF CORPORATION'S PENSION CONTRIBUTIONS
JUNE 30, 2020**

Public Employees Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 22,145	\$ 21,589	\$ 23,815	\$ 25,980	\$ 28,781	\$ 30,467	\$ 33,380	\$ 29,213
Contributions in relation to contractually required contribution	<u>(22,145)</u>	<u>(21,589)</u>	<u>(23,815)</u>	<u>(25,980)</u>	<u>(28,781)</u>	<u>(30,467)</u>	<u>(33,380)</u>	<u>(29,213)</u>
Contribution deficit (surplus)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Corporation's covered payroll	\$ 221,444	\$ 215,886	\$ 216,501	\$ 216,501	\$ 213,192	\$ 217,621	\$ 230,207	\$ 208,664
Contributions as a percentage of covered payroll	10.00%	10.00%	11.00%	12.00%	13.50%	14.00%	14.50%	14.00%

The chart will be built prospectively

**PUBLIC DEFENDER CORPORATION
FOR THE TWENTY-EIGHTH JUDICIAL CIRCUIT
SCHEDULE OF CORPORATION'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
JUNE 30, 2020**

Retiree Health Benefit Trust

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Corporation's proportion of the net OPEB liability (asset) (percentage)	0.003108798%	0.003118189%	0.002900705%	0.003525531%
Corporation's proportionate share of the net OPEB liability (asset)	\$ 51,579	\$ 66,899	\$ 71,328	\$ 87,550
State's proportionate share of the net OPEB liability (asset) associated with the Corporation	<u>9,967</u>	<u>19,278</u>	<u>14,363</u>	<u>-</u>
Total	<u>\$ 61,546</u>	<u>\$ 86,177</u>	<u>\$ 85,691</u>	<u>\$ 87,550</u>
Corporation's covered-employee payroll	\$ 215,886	\$ 216,501	\$ 216,501	\$ 213,192
Corporation's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	23.89%	30.90%	32.95%	41.07%
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
FOR THE TWENTY-EIGHTH JUDICIAL CIRCUIT
SCHEDULE OF CORPORATION'S OPEB CONTRIBUTIONS
JUNE 30, 2020**

	Retiree Health Benefit Trust				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 6,048	\$ 6,405	\$ 5,841	\$ 5,958	\$ 6,031
Contributions in relation to contractually required contribution	<u>(6,048)</u>	<u>(6,405)</u>	<u>(5,841)</u>	<u>(5,958)</u>	<u>(6,031)</u>
Contribution deficit (surplus)	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Corporation's covered-employee payroll	\$ 221,444	\$ 215,886	\$ 216,501	\$ 216,501	\$ 213,192
Contributions as a percentage of covered-employee payroll	2.73%	2.97%	2.70%	2.75%	2.83%

Information prior to 2016 is not available.

The schedule will be built prospectively

**PUBLIC DEFENDER CORPORATION
FOR THE TWENTY-EIGHTH 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
FOR THE TWENTY-EIGHTH 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	Active-RP-2000 Non-Annuitant tables, Scale AA fully generational	Healthy males – 1983 GAM
	Retired healthy males-108% of Pub-2010 General	Retired healthy males – 110% of RP-	Healthy females – 1971 GAM
	Retiree Male table, below-median, headcount weighted, projected with scale MP-2018	2000 Non-Annuitant, Scale AA fully generational	Disabled males-1971 GAM
	Retired healthy females-122% of Pub-2010 Annuitant, Scale AA fully generational	Retired healthy females – 101% of RP	Disabled females-Revenue ruling 96-7
	Retiree Female table, below-median, headcount weighted, projected with scale MP-2018	-2000 Non-Annuitants, Scale AA fully generational	
	Disabled males-118% of Pub-2010 General / Teachers Disabled Male table, below-median, headcount weighted, projected with scale MP-2018	Disabled males – 96% of RP-2000 Disabled Annuitant, Scale AA fully generational	
	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	2.00-35.88%	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
FOR THE TWENTY-EIGHTH 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.

**Public Defender Corporation
for the Twenty-Eighth 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
Twenty-Eighth
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 Twenty-Eighth 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.

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Board of Directors
Public Defender Corporation
for the Twenty-Eighth 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.

Mahe Duessel

Pittsburgh, Pennsylvania
October 5, 2020

**PUBLIC DEFENDER CORPORATION
FOR THE TWENTY-EIGHTH JUDICIAL CIRCUIT**

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2020

NONE