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

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Tax—Accounting—Audit—Review—Compilation—Agreed Upon Procedure—Consultation—Bookkeeping—Payroll
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- Association of Certified Anti - Money Laundering Specialists •

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

September 15, 2017

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

To the Board of Directors:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



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Opinion

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2017, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates

Certified Public Accountants, A.C.
Marietta, Ohio

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

This discussion and analysis of the Public Defender Corporation for the Fourth Judicial Circuit of the State of West Virginia's financial performance provides an overview of the Corporation's financial activities for the fiscal years ended June 30, 2017 and 2016, and identifies changes in the Corporation's financial position. There is no comparative information for 2015 since the Corporation was established in 2016.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

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

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

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

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

Financial Analysis of the Corporation

	2017	2016
Assets		
Capital Assets	\$ 161,481	\$ 192,191
Other Assets	834,922	769,784
Total Assets	<u>996,403</u>	<u>961,975</u>
Deferred outflow of resources	\$ 294,013	\$ -
Liabilities		
Long-term Liabilities	\$ 220,340	\$ 1,596
Short-term Liabilities	86,015	45,644
Total Liabilities	<u>306,355</u>	<u>47,240</u>
Deferred inflows of resources	10,558	-
Net Position		
Net Investment in Capital Assets	161,481	192,191
Unrestricted	812,022	722,544
Total Net Position	<u>\$ 973,503</u>	<u>\$ 914,735</u>

The Corporation's revenues are derived from funding from West Virginia Public Defender Services (WVPDS) and accordingly 99% and 100% of the Corporation's revenues were derived from this funding for the years ended June 30, 2017 and 2016, respectively.

	2017	2016
Operating Revenue	\$ 1,296,498	\$ 1,698,500
Operating Expenses	1,237,730	783,765
Operating Income (Loss)	<u>58,768</u>	<u>914,735</u>
Net Position at Beginning of Year	914,735	-
Net Position at End of Year	<u>\$ 973,503</u>	<u>\$ 914,735</u>

Detailed Financial Analysis of the Corporation

Operating revenues for the fiscal year were \$1,296,498 or a decrease of \$402,000 from the year ending June 30, 2016. Operating revenues for the year ending June 30, 2016 includes startup capital of \$400,000 provided by West Virginia Public Defender Services.

Operating expenses for the fiscal year totaled approximately \$1,237,000 for the Corporation's first full operating year.

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

Capital Asset and Debt Activity

The Corporation had capital assets costing \$232,790 and \$227,585 for the years ending June 30, 2017 and 2016 respectively. The Corporation's capital assets include furniture and fixtures, office and computer equipment, leasehold improvements and organizational costs. The assets were being depreciated over useful lives of three to ten years. The accumulated depreciation on the assets amounted to \$71,309 for the year ending June 30, 2017 and \$35,394 for the year ending June 30, 2016. There were no asset disposals during the current year. More detailed information is presented in Note 6 to the financial statements. The Corporation had no debt for the year ended June 30, 2017.

Cash Management

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

Economic Factors and Next Year's Budget

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

For the year ending June 30, 2018, the Corporation has an approved budget of \$1,301,150. This represents a budget increase of approximately 0.4 percent or \$4,700 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 Public Defender Corporation, 4th Judicial Circuit, 320 Juliana Street, Suite 101, Parkersburg, WV 26101.

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

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 834,922	\$ 769,784
Total current assets	<u>834,922</u>	<u>769,784</u>
Capital assets		
Computer and equipment	84,080	84,080
Furniture and fixtures	105,640	103,160
Leasehold Improvements	13,070	10,345
Other	30,000	30,000
	<u>232,790</u>	<u>227,585</u>
Less accumulated depreciation	<u>(71,309)</u>	<u>(35,394)</u>
Capital assets, net	<u>161,481</u>	<u>192,191</u>
 Total assets	 <u>996,403</u>	 <u>961,975</u>
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows - Pensions	<u>294,013</u>	<u>-</u>
 Total Assets and Deferred Outflows of Resources	 <u><u>\$ 1,290,416</u></u>	 <u><u>\$ 961,975</u></u>
 LIABILITIES		
Current liabilities		
Accrued expenses	\$ 53,881	\$ 29,221
Compensated absences	32,134	16,423
Total current liabilities	<u>86,015</u>	<u>45,644</u>
Long term liabilities		
Other post employment benefit liability	3,630	1,596
Net pension liability	216,710	
Total long term liabilities	<u>220,340</u>	<u>1,596</u>
 Total liabilities	 <u>306,355</u>	 <u>47,240</u>
 DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - Pensions	<u>10,558</u>	<u>-</u>
 NET POSITION		
Net investment in capital assets	161,481	192,191
Unrestricted	812,022	722,544
Total net position	<u>973,503</u>	<u>914,735</u>
 Total Liabilities, Deferred Inflows of Resources and Net Position	 <u><u>\$ 1,290,416</u></u>	 <u><u>\$ 961,975</u></u>

See accompanying notes to the financial statements.

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

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
WV Public Defender Services Grant Revenue	\$ 1,296,498	\$ 1,698,500
Total operating revenues	<u>1,296,498</u>	<u>1,698,500</u>
OPERATING EXPENSES		
Personal services	814,482	433,915
Employee benefits	177,857	124,212
Support services	34,765	38,096
Administrative support	22,987	14,472
Office	146,865	81,577
Other	2,255	4,398
Acquisition	2,604	51,701
Depreciation	35,915	35,394
Total operating expenses	<u>1,237,730</u>	<u>783,765</u>
Operating income	<u>58,768</u>	<u>914,735</u>
NONOPERATING REVENUES (EXPENSES)		
Sisters Health Foundation Grant, revenues	18,597	-
Sisters Health Foundation Grant, expenses	<u>(18,597)</u>	<u>-</u>
Total nonoperating revenues	<u>-</u>	<u>-</u>
Change in net position	58,768	914,735
Net position, beginning of year	<u>914,735</u>	<u>-</u>
Net position, end of year	<u>\$ 973,503</u>	<u>\$ 914,735</u>

See accompanying notes to the financial statements.

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

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grants	\$ 1,296,498	\$ 1,698,500
Cash paid for goods and services	(411,673)	(267,216)
Cash paid to employees	(814,482)	(433,915)
Net cash provided (used in) by operating activities	<u>70,343</u>	<u>997,369</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of fixed assets	(5,205)	(227,585)
Net cash provided by capital and related financing activities	<u>(5,205)</u>	<u>(227,585)</u>
Net increase (decrease) in cash and cash equivalents	<u>65,138</u>	<u>769,784</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>769,784</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 834,922</u>	<u>\$ 769,784</u>
RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 58,768	\$ 914,735
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:		
Depreciation	35,915	35,394
(Increase) decrease in operating assets		
Deferred outflows	(294,013)	-
Increase (decrease) in operating liabilities		
Accrued expenses	24,661	29,221
Compensated absences	15,711	16,423
Pension liability	216,710	-
Deferred outflows	10,558	-
Other postemployment benefit liability	<u>2,034</u>	<u>1,596</u>
Total adjustments	<u>11,575</u>	<u>82,634</u>
Net cash provided by (used in) operating activities	<u>\$ 70,343</u>	<u>\$ 997,369</u>

See accompanying notes to the financial statements.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Reporting Entity

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

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

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

Enterprise Funds

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

Basis of Accounting

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

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

Capital Assets

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

Estimated useful lives of the assets are as follows:

Office Equipment	3-5 years
Furniture and Fixtures	7-10 years
Leasehold Improvements	10 years
Organizational Costs	10 years

Net Position

Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the Corporation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Corporation's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. No portion of the Corporation's net position was restricted at June 30, 2017.

Use of Estimates

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

Inventory

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

Insurance

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary

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

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.

Operating Revenues and Expenses

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

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

Income Taxes

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

Accounting principles generally accepted in the United States require management to evaluate tax positions taken by the Corporation and recognize a tax liability (or asset) if the Corporation has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service (IRS). Management has analyzed the tax positions taken by the Corporation, and has concluded that as of June 30, 2017, 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 2016 are subject to examination by the IRS, generally for three years after they were filed.

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

NOTE 2 CASH HELD AT FISCAL YEAR END

At June 30, 2017 and 2016, the Corporation held cash and cash equivalents of \$834,922 and \$769,784, 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.

NOTE 3 COMPENSATED ABSENCES AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual vacation balances. Estimated obligations arise for vacation leave at the current rate of employee pay. Employees with less than 5 years of continuous full-time employment during any period earn 15 days per year. Employees with 5 years, but less than 10 years of full-time employment during any continuous 10-year period, earn 20 days per year.

Also, the Corporation grants sick leave based on time worked. Full-time employees earn 20 sick days for each year of service with no maximum accumulation. The Corporation does not accrue any liability for sick leave because no amount is paid at the time of separation of employment. Upon retirement, an employee may elect to use any accrued sick leave balances to increase their years of service at retirement but do not have the option for the Corporation to pay them a cash payout.

Retirement Health Plan

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

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

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PLANS

Public Employee Retirement System (PERS)

The Corporation participates in a statewide, cost-sharing, multiple employer defined benefit plan on behalf of the general Corporation employees. The system is administered by agencies of the State of West Virginia and funded by contributions from participants, employers, and State appropriations, as necessary.

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

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

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

Authority establishing 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:	12.00% for FY 2017 and 13.50% for FY 2016
----------------------------------	---

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.

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

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PLANS (CONTINUED)

Public Employee Retirement System (PERS) (Continued)

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, 2017 is as follows:

Percentage of Payroll	Total Wages	Coverage Wages	Amount Contributed
Employer Share - 12%	\$ 790,920	\$ 790,920	\$ 94,760
Tier 1 Employee Share - 4.5%	488,833	488,833	21,997
Tier 2 Employee Share - 6%	302,087	302,087	18,050

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

Percentage of Payroll	Total Wages	Coverage Wages	Amount Contributed
Employer Share - 13.5%	\$ 415,294	\$ 408,834	\$ 55,367
Tier 1 Employee Share - 4.5%	331,559	325,099	14,629
Tier 2 Employee Share - 6%	83,735	83,735	5,024

Trend Information

Fiscal Year	Annual Pension Cost	Percent Contributed
2017	\$ 94,761	82.49%
2016	\$ 55,367	100.00%
2015	\$ -	0.00%

For 2017, the required contribution was \$94,760. Of this amount, \$16,590 is reported in accrued expenses.

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

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

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

The Corporation started operations during fiscal year 2016 so there is no comparative information to present concerning GASB 68 for fiscal year 2016.

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, 2016 and 2015 for the Corporation fiscal years ended June 30, 2017 and 2016, respectively. The total pension liability used to calculate the net pension liabilities were determined by an actuarial valuation as of June 30, 2015 and rolled forward to June 30, 2016 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, 2017 and 2016, the Corporation reported the following proportions and increase/decreases from its proportion measured as of June 30, 2016 and 2015:

	<u>2017</u>	<u>2016</u>
Amount for proportionate share of net pension liability	\$ 216,710	\$ -
Percentage for proportionate share of net pension liability	0.023578%	0.000000%
Increase/(decrease) in % from prior proportion measured	0.023578%	0.000000%

For the years ended June 30, 2017 and 2016, the Corporation recognized the following pension expense:

	<u>2017</u>	<u>2016</u>
Pension Expense	<u>\$ 72,096</u>	<u>\$ -</u>

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

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, 2017:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 68,098	\$ -
Net differences between projected and actual experiences	18,072	-
Deferred differences in assumptions	-	10,558
Changes in proportion and differences between contributions and proportionate share of contributions	113,082	-
Contributions subsequent to measurement date	94,761	-
Totals	<u>\$ 294,013</u>	<u>\$ 10,558</u>

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, 2016:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ -
Net differences between projected and actual experiences	-	-
Deferred differences in assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to measurement date	-	-
Totals	<u>\$ -</u>	<u>\$ -</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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	2017	Year Ended June 30:	2016
2018	\$ 48,126	2017	\$ -
2019	48,125	2018	-
2020	67,443	2019	-
2021	25,000	2020	-
Total	<u>\$ 188,694</u>	Total	<u>\$ -</u>

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

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PLANS (CONTINUED)

Public Employee Retirement System (PERS) (Continued)

Actuarial assumptions

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

PERS	June 30, 2016	June 30, 2015
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	3.0-4.6%	3.0-4.6%
Nonstate	3.35-6%	3.35-6%
Inflation Rate	3.00%	1.90%
Discount Rate	7.50%	7.50%
Mortality Rates	Healthy males - 110% of RP-2000 Non-Annuitant, Scale AA fully generational; Healthy females - 101% of RP-2000, Non-Annuitant, Scale AA fully generational; Disabled males - 96% of RP-2000 Disabled Annuitant, Scale AA fully generational; Disabled females -	Healthy males - 110% of RP-2000 Non-Annuitant, Scale AA; Healthy females - 101% of RP-2000 Non-Annuitant, Scale AA; Disabled males- 96% of RP-2000 Disabled females - 107% of RP-2000 Disabled Annuitant, Scale AA
Withdrawal Rates:		
State	1.75-35.1%	1.75-35.1%
Nonstate	2-35.8%	2-35.8%
Disability Rates	0-.675%	0-.675%
Retirement Rates	15-100%	15-100%
Date Range in Most Experience Study	2009-2014	2009-2014

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

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

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PLANS (CONTINUED)
Public Employee Retirement System (PERS) (Continued)

2016

<u>Asset Class</u>	<u>Long-term Expected Rate of Return</u>	<u>PERS Target Asset Allocation</u>
US Equity	7.0%	27.5%
International Equity	7.7%	27.5%
Core Fixed Income	2.7%	7.5%
High Yield Fixed Income	5.5%	7.5%
TPS	2.7%	0.0%
Real Estate	7.0%	10.0%
Private Equity	9.4%	10.0%
Hedge Funds	4.7%	10.0%
		<u>100.0%</u>

2015

<u>Asset Class</u>	<u>Long-term Expected Rate of Return</u>	<u>PERS Target Asset Allocation</u>
US Equity	7.0%	27.5%
International Equity	7.7%	27.5%
Core Fixed Income	2.7%	7.5%
High Yield Fixed Income	5.5%	7.5%
Real Estate	5.6%	10.0%
Private Equity	9.4%	10.0%
Hedge Funds	4.7%	10.0%
Cash	1.5%	0.0%
		<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.

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

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PLANS (CONTINUED)

Public Employee Retirement System (PERS) (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 1-percentage-point lower or 1-percentage point higher than the current rate:

2017	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Proportionate share of PERS's Net pension liability	\$ 392,279	\$ 216,710	\$ 67,605
2016	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Proportionate share of PERS's Net pension liability	\$ -	\$ -	\$ -

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.

NOTE 5 RISK MANAGEMENT

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

Board of Risk and Insurance Management (BRIM)

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

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

NOTE 5 RISK MANAGEMENT (CONTINUED)

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, 2017 the Corporation did not reduce insurance coverage's from coverage levels in place as of July 1, 2016. No settlements have exceeded coverage levels in place.

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

NOTE 6 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Being Depreciated:				
Computer and Equipment	\$ 84,080	\$ -	\$ -	\$ 84,080
Furniture and Fixtures	103,160	2,480	-	105,640
Leasehold Improvements	10,345	2,725	-	13,070
Organizational Costs	30,000	-	-	30,000
Less: Accumulated Depreciation:				
Computer and Equipment	(16,816)	(16,816)	-	(33,632)
Furniture and Fixtures	(14,544)	(14,791)	-	(29,335)
Leasehold Improvements	(1,034)	(1,307)	-	(2,341)
Organizational Costs	(3,000)	(3,000)	-	(6,000)
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	<u>192,191</u>	<u>(30,710)</u>	<u>-</u>	<u>161,481</u>
Total Capital Assets Net Accumulated Depreciation	<u>\$ 192,191</u>	<u>\$ (30,710)</u>	<u>\$ -</u>	<u>\$ 161,481</u>

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

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

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

NOTE 7 LONG-TERM OBLIGATIONS

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

	Balance at June 30, 2016	Additions	Reductions	Balance at June 30, 2017	Due Within One Year
Compensated Absences	\$ 16,423	\$ 15,711	\$ -	\$ 32,134	\$ 32,134
OPEB	1,596	2,034	-	3,630	3,630
Net Pension Liability	-	216,710	-	216,710	-
Total	<u>\$ 18,019</u>	<u>\$ 234,455</u>	<u>\$ -</u>	<u>\$ 252,474</u>	<u>\$ 35,764</u>

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

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

NOTE 8 OPERATING LEASES

The Corporation leases copiers and a facility under operating lease agreements. Aggregate payments under these agreements were \$85,955 for the year ended June 30, 2017.

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 FOURTH JUDICIAL CIRCUIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

NOTE 10 SUBSEQUENT EVENTS

Management has evaluated events subsequent to the date of the statement of financial position through September 15, 2017, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through September 15, 2017 that would require adjustment or disclosure in the financial statements.

**PUBLIC DEFENDER CORPORATION
FOR THE FOURTH JUDICIAL CIRCUIT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
JUNE 30, 2017**

Public Employees Retirement System

	<u>2016</u>
Corporation's proportion of the net pension liability (asset) (percentage)	0.023578%
Corporation's proportionate share of the net pension liability (asset)	\$ 216,710
Corporation's covered-employee payroll	\$ 408,834
Corporation's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	53.01%
Plan fiduciary net position as a percentage of the total pension liability	86.11%

Information prior to 2016 is not available.

This chart will be build prospectively

**PUBLIC DEFENDER CORPORATION
FOR THE FOURTH JUDICIAL CIRCUIT
SCHEDULE OF CONTRIBUTIONS
JUNE 30, 2017**

Public Employees Retirement System

	2017	2016
Contractually required contribution	\$ 94,761	\$ 55,367
Contributions in relation to contractually required contribution	<u>(94,761)</u>	<u>(55,367)</u>
Contribution deficit (surplus)	<u>\$ -</u>	<u>\$ -</u>
Corporation's covered-employee payroll	\$ 790,920	\$ 408,834
Contributions as a percentage of covered-employee payroll	12.00%	13.50%

Information prior to 2016 is not available.

This chart will be build prospectively

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

	Budget	Actual	Under/(Over) Budget to Actual
Personal services	\$ 818,900	795,841	\$ 23,059
Employee benefits	255,984	243,492	12,492
Support services	35,625	34,765	860
Administrative support	27,280	22,987	4,293
Office	138,710	138,383	327
Other	2,000	1,317	683
Acquisition	18,000	17,226	774
Total operating expenses	<u>\$ 1,296,499</u>	<u>1,254,011</u>	<u>\$ 42,488</u>



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

September 15, 2017

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

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the **Public Defender Corporation for the Fourth Judicial Circuit**, a component unit of the State of West Virginia (the Corporation) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated September 15, 2017.

Internal Control Over Financial Reporting

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

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

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



Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Perry & Associates CPAs A.C.".

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