

428 Second St.
Marietta, OH 45750
740.373.0056

1907 Grand Central Avenue
Vienna, WV 26105
304.422.2203

104 South Sugar St.
St. Clairsville, OH 43950
740.695.1569



Certified Public Accountants, A.C.

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

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Tax– Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
Litigation Support – Financial Investigations

Members: American Institute of Certified Public Accountants

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- Association of Certified Anti - Money Laundering Specialists •

**PUBLIC DEFENDER CORPORATION
FOR THE TWELTH JUDICIAL COURT
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INDEPENDENT AUDITOR'S REPORT

January 4, 2017

Public Defender Corporation for the Twelfth Judicial Circuit
102 Fayette Avenue
Fayetteville, WV 25840-0239

To the Board of Directors:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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 Twelfth Judicial Circuit, West Virginia, as of June 30, 2016, and the changes in financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Prior Period Financial Statements Audited by a Predecessor Auditor

The financial statements of the Public Defender Corporation for the Twelfth Judicial Circuit, West Virginia (the Corporation), as of and for the year ended June 30, 2015, were audited by a predecessor auditor whose report dated January 14, 2016 expressed an unmodified opinion on those statements.

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 January 4, 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 TWELFTH JUDICIAL CIRCUIT
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2016 and 2015
UNAUDITED

This discussion and analysis of the Public Defender Corporation for the Twelfth Judicial Circuit “the 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, 2016 and 2015, 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 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.

PUBLIC DEFENDER CORPORATION
FOR THE TWELFTH JUDICIAL CIRCUIT
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2016 and 2015
UNAUDITED

Financial Analysis of the Corporation

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Assets			
Capital assets	11,314	298	629
Other assets	<u>128,731</u>	<u>108,111</u>	<u>70,273</u>
Total Assets	<u>\$ 140,045</u>	<u>\$ 108,409</u>	<u>\$ 109,460</u>
Deferred outflow of resources	118,954	47,455	48,447
Liabilities			
Long-term liabilities	138,495	91,388	326,014
Short-term liabilities	<u>190,340</u>	<u>170,042</u>	<u>60,705</u>
Total Liabilities	<u>\$ 328,835</u>	<u>\$ 261,430</u>	<u>\$ 387,209</u>
Deferred inflow of resources	94,354	104,308	0
Net Position			
Net investment in capital assets	11,314	298	629
Unrestricted	<u>(175,504)</u>	<u>(210,172)</u>	<u>(267,999)</u>
Total net position	<u>\$ (164,190)</u>	<u>\$ (209,874)</u>	<u>\$ (267,370)</u>

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, 2016, 2015 and 2014.

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating revenue	567,670	574,567	486,248
Operating expenses	<u>522,031</u>	<u>517,097</u>	<u>736,390</u>
Operating (loss) income	<u>\$ 45,639</u>	<u>\$ 57,470</u>	<u>\$ (250,142)</u>
Non-operating revenue	<u>45</u>	<u>26</u>	<u>294</u>
Change in net position	<u>45,684</u>	<u>57,496</u>	<u>(249,848)</u>
Net position beginning of year	<u>(209,874)</u>	<u>(267,370)</u>	<u>(17,522)</u>
Net position at end of year	<u>\$ (164,190)</u>	<u>\$ (209,874)</u>	<u>\$ (267,370)</u>

PUBLIC DEFENDER CORPORATION
FOR THE TWELFTH JUDICIAL CIRCUIT
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2016 and 2015
UNAUDITED

Detailed Financial Analysis of the Corporation

Grant income decreased approximately \$6,900 and cash held by the Corporation decreased by approximately \$10,100 because of operating cost exceeding operating revenues for the fiscal year ended June 30, 2016. Other post-employment benefit liability (OPEB), included in short-term liabilities, increased by approximately \$7,700 primarily due to the Corporation accruing invoiced amounts from West Virginia Public Employees Insurance Agency. All other assets, deferred outflows, liabilities and deferred inflows remained basically consistent with the prior period.

Operating expenses for the fiscal year increased by approximately \$5,000. This increase is mostly attributable to an increase in personal services attributable to staff wage increases.

Capital Asset and Debt Activity

As of June 30, 2016, 2015, and 2014, the Corporation had net capital assets of approximately \$11,300, \$298, and \$629, respectively. The Corporation's capital assets include furniture and fixtures, and office and computer equipment. The assets were being depreciated over useful lives of three to seven years. The accumulated depreciation on the assets amounted to approximately \$68,200, \$66,300, and \$66,000, respectively. There were no asset disposals during the current year. Capital assets totaling \$12,897 were purchased during the year ending June 30, 2016. There were no purchases of capital assets for the years ended June 30, 2015, and 2014. More detailed information is presented in note 6 to the financial statements. The Corporation had no debt for the years ended June 30, 2016 or 2015.

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 .03% to .15% for the years ended June 30, 2016, 2015 and 2014, respectively. Interest earned on the account for the years ended June 30, 2016, 2015, and 2014 amounted to approximately \$45, \$26, and \$92, respectively.

Economic Factors and Next Year's Budget

The West Virginia Public Defender Services, the Corporation's oversight agency, looked at various factors when approving the budget for the year ending June 30, 2017. Such factors considered include: the Corporation's case load in comparison to the number of professional and nonprofessional staff, the type, amount and rate of employee benefits, the anticipation of large or unusual cases which require additional resources, capital needs, as well as the operating environment and its operation needs.

For the year ending June 30, 2017, the Corporation has an approved budget of \$539,299. This represents a budget decrease of approximately 5.0 percent or \$28,371 from the prior year. Individual budget categories have comparable decreases to budgeted categories of the prior budget year.

PUBLIC DEFENDER CORPORATION
FOR THE TWELFTH JUDICIAL CIRCUIT
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2016 and 2015
UNAUDITED

Requests for Information

The financial report is designed to provide an overview of the finances of the Corporation for those with an interest in the organization. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Corporation at 102 Fayette Ave. Fayetteville, WV 25840.

**PUBLIC DEFENDER CORPORATION
FOR THE TWELFTH JUDICIAL CIRCUIT
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2016 AND 2015**

	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	\$ 49,716	\$ 59,846
Grant receivable	70,486	47,890
Prepaid expenses	8,529	376
Total current assets	128,731	108,112
Capital assets		
Computer and equipment	49,284	46,348
Furniture and fixtures	20,280	20,280
Leasehold Improvements	9,961	-
	79,525	66,628
Less accumulated depreciation	(68,211)	(66,330)
Capital assets, net	11,314	298
 Total assets	 140,045	 108,410
 DEFERRED OUTFLOWS OF RESOURCES		
Contributions subsequent to measurement date	118,954	47,455
	118,954	47,455
 Total Assets and Deferred Outflows of Resources	 \$ 258,999	 \$ 155,865
 LIABILITIES		
Current liabilities		
Accrued expenses	\$ 18,200	\$ 15,478
Other post employment benefit liability	116,285	108,571
Compensated absences	55,855	45,993
Total current liabilities	190,340	170,042
Long term liabilities		
Net pension liability	138,495	91,388
	138,495	91,388
 Total liabilities	 328,835	 261,430
 DEFERRED INFLOWS OF RESOURCES		
Pension	94,354	104,308
	94,354	104,308
 NET POSITION		
Net investment in capital assets	11,314	298
Unrestricted (deficit)	(175,504)	(210,172)
Total net position	(164,190)	(209,874)
 Total Liabilities, Deferred Inflows of Resources and Net Position	 \$ 258,999	 \$ 155,864

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

**PUBLIC DEFENDER CORPORATION
FOR THE TWELFTH JUDICIAL CIRCUIT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	2016	2015
OPERATING REVENUES		
WV Public Defender Services Grant Revenue	\$ 567,670	\$ 574,567
Total operating revenues	567,670	574,567
OPERATING EXPENSES		
Personal services	381,846	363,465
Employee benefits	59,820	82,989
Pension Expense	13,721	1,939
Support services	11,395	14,393
Administrative support	9,641	9,451
Office	42,807	41,233
Other	60	171
Acquisition	860	3,125
Depreciation	1,881	331
Total operating expenses	522,031	517,097
Operating income (loss)	45,639	57,470
NONOPERATING REVENUES		
Interest income	45	26
Total nonoperating revenues	45	26
Change in net position	45,684	57,496
Net position, beginning of year	(209,874)	(267,370)
Net position, end of year	\$ (164,190)	\$ (209,874)

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

**PUBLIC DEFENDER CORPORATION
FOR THE TWELFTH JUDICIAL CIRCUIT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grants	\$ 497,184	\$ 526,678
Cash paid for expenses	(494,462)	(536,755)
Net cash provided (used in) by operating activities	2,722	(10,077)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received as interest	45	26
Purchase of computer equipment	(2,936)	-
Leasehold Improvement	(9,961)	-
Net cash provided by investing activities	(12,852)	26
Net increase (decrease) in cash and cash equivalents	(10,130)	(10,051)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	59,846	69,897
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 49,716	\$ 59,846
RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 45,639	\$ 57,470
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:		
Depreciation	1,881	331
(Increase) decrease in operating assets		
Prepaid expenses	(8,153)	1
Deferred outflows	(71,499)	992
Grant receivable	(22,596)	(47,890)
Increase (decrease) in operating liabilities		
Accrued expenses	2,722	2,749
Compensated absences	9,862	(1,983)
Pension liability	47,107	(134,350)
Deferred inflows	(9,955)	104,308
Other postemployment benefit liability	7,714	8,295
Total adjustments	(42,917)	(67,547)
Net cash provided by (used in) operating activities	\$ 2,722	\$ (10,077)

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

**PUBLIC DEFENDER CORPORATION
FOR THE TWELFTH JUDICIAL CIRCUIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 and 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Reporting Entity

The Public Defender Corporation for the Twelfth 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 TWELFTH JUDICIAL CIRCUIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 and 2015**

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	10 years
Office Equipment	5 years
Furniture and Fixtures	5 years

Net Position

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

Use of Estimates

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

Inventory

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

Insurance

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

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 TWELFTH JUDICIAL CIRCUIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 and 2015**

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.

Operating Revenues and Expenses

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

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

Adoption of Accounting Pronouncement

The Corporation adopted GASB Statement No. 72, *Fair Value Measurement and Application*. The Statement is designed to bring more clarity to areas of uncertainty related to fair value measures – including on how to apply fair value when market values cannot be obtained and where management judgments are necessary.

The Corporation holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Corporation's mission, the Corporation determines that the disclosures related to these investments only need to be disaggregated by major type. The Corporation chooses a narrative format for the fair value disclosures.

Income Taxes

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

Accounting principles generally accepted in the United States require management to evaluate tax positions taken by the Corporation and recognize a tax liability (or asset) if the Corporation has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service (IRS). Management has analyzed the tax positions taken by the Corporation, and has concluded that as of June 30, 2016, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Corporation is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress. The Corporation's Federal Return of Organization from Income Tax (federal Form 990) for 2013, 2014 and 2015 are subject to examination by the IRS, generally for three years after they were filed.

**PUBLIC DEFENDER CORPORATION
FOR THE TWELFTH JUDICIAL CIRCUIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 and 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2016.

NOTE 2 CASH HELD AT FISCAL YEAR END

At June 30, 2016 and 2015, the Corporation held cash and cash equivalents of \$49,716 and \$59,846, 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 postemployment 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 TWELFTH JUDICIAL CIRCUIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 and 2015**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PLANS

Retirement Health Plan (Continued)

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

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The Board's contribution to RHBT for the year ended June 30, 2016 was \$6,683, which represents 46.42% of the required contribution this year. The Board's contribution to RHBT for the year ended June 30, 2015 was \$8,200, which represented 49.71% of the required contribution for that year.

Public Employee Retirement System (PERS)

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

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

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:	13.50%
Period required to vest:	5 years

**PUBLIC DEFENDER CORPORATION
FOR THE TWELFTH JUDICIAL CIRCUIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 and 2015**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PLANS (CONTINUED)

Public Employee Retirement System (PERS) (Continued)

Benefits and eligibility for distribution:

Tier 1

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

Tier 2

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

Deferred portion No

Provision for:

Cost of living No
Death benefits Yes

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

<u>Percentage of Payroll</u>	<u>Total Wages</u>	<u>Coverage Wages</u>	<u>Amount Contributed</u>
Employer Share - 13.5%	\$ 358,319	\$ 358,319	\$ 48,373
Tier 1 Employee Share - 4.5%	358,319	358,319	16,124

The Corporation's contributions to the West Virginia Public Employees Retirement System for the year ended June 30, 2015 is as follows:

<u>Percentage of Payroll</u>	<u>Total Wages</u>	<u>Coverage Wages</u>	<u>Amount Contributed</u>
Employer Share - 14.0%	\$ 336,343	\$ 336,343	\$ 47,088
Employee Share - 4.5%	\$ 336,343	\$ 336,343	\$ 15,135

Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Percent Contributed</u>
2016	\$48,373	100%
2015	\$47,088	100%
2014	\$48,080	100%

**PUBLIC DEFENDER CORPORATION
FOR THE TWELFTH JUDICIAL CIRCUIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 and 2015**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PLANS (CONTINUED)

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

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

At fiscal year-end, the Corporation reported the following liabilities for its proportionate share of the net pension liabilities. The net pension liabilities were measured as of June 30, 2015 and 2014 for the Corporation fiscal years ended June 30, 2016 and 2015, respectively. The total pension liability used to calculate the net pension liabilities were determined by an actuarial valuation as of June 30, 2014 and rolled forward to June 30, 2015 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, 2016 and 2015, the Corporation reported the following proportions and increase/decreases from its proportion measured as of June 30, 2015 and 2014:

	2015 <u>PERS</u>	2014 <u>PERS</u>
Amount for proportionate share of net pension liability	\$ 138,495	\$ 91,388
Percentage for proportionate share of net pension liability	0.024802%	0.024762%
Increase/(decrease) % from prior proportion measured	0.000040%	-0.001093%

For the years ended June 30, 2016 and 2015, the Corporation recognized the following pension expense:

	2016 <u>PERS</u>	2015 <u>PERS</u>
Pension Expense	<u>\$ 13,683</u>	<u>\$ 8,075</u>

**PUBLIC DEFENDER CORPORATION
FOR THE TWELFTH JUDICIAL CIRCUIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 and 2015**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PLANS (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, 2016:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 30,369
Net differences between projected and actual experiences	28,326	-
Deferred differences in assumptions	-	16,659
Changes in proportion and differences between contributions and proportionate share of contributions	-	5,071
Contributions subsequent to measurement date	48,373	-
Totals	<u>\$ 76,699</u>	<u>\$ 52,099</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, 2015:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 96,675
Changes in proportion and differences between contributions and proportionate share of contributions	-	7,633
Contributions subsequent to measurement date	47,088	-
Totals	<u>\$ 47,088</u>	<u>\$ 104,308</u>

For the year ended June 30, 2016, 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 for the fiscal year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	2016
Year Ended June 30:	
2017	\$ (13,788)
2018	(13,758)
2019	(11,247)
2020	15,020
Total	<u>\$ (23,773)</u>

**PUBLIC DEFENDER CORPORATION
FOR THE TWELFTH JUDICIAL CIRCUIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 and 2015**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PLANS (CONTINUED)

Public Employee Retirement System (PERS) (Continued)

Year Ended June 30:	2015
2016	\$ (24,428)
2017	(24,428)
2018	(24,428)
2019	(24,428)
2020	(6,596)
Total	<u>\$ (104,308)</u>

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2014, and rolled forward to June 30, 2015 for all plans, using the following actuarial assumptions, applied to all periods included in the measurement.

Public Employees Retirement System (PERS)

Actuarial assumptions:

Inflation Rate	1.90%
Salary Increases	4.25% - 6.00%
Investment Rate of Return	7.50%

Mortality rates for non-disabled participants were based on the 1983 Group Annuity Mortality Table for males and the 1971 Group Annuity Mortality Table for Females, as appropriate. Mortality rates for disabled participants were based on the 1983 Group Annuity Mortality Table for Males and Revenue ruling 96-7 for Females.

The actuarial assumptions used in the July 1, 2014 PERS valuation were based on the results of an actuarial experience study for the period July 1, 2004 to June 30, 2009.

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 table:

**PUBLIC DEFENDER CORPORATION
FOR THE TWELFTH JUDICIAL CIRCUIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 and 2015**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PLANS (CONTINUED)

Public Employee Retirement System (PERS) (Continued)

<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.

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:

2016	<u>1% Decrease 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase 8.50%</u>
Proportionate share of PERS's Net pension liability	\$ 319,407	\$ 138,495	\$ (14,347)
2015	<u>1% Decrease 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase 8.50%</u>
Proportionate share of PERS's Net pension liability	\$ 25,823	\$ 91,388	\$ (50,860)

Detailed information about the pension plans' fiduciary net position is available in the separately issued financial report available at the Consolidated Public Retirement Board's website at www.wvretirement.com. That information can also be obtained by writing to the West Virginia Consolidated Public Retirement Board, 4101 MacCorkle Avenue SE, Charleston, WV 25304.

**PUBLIC DEFENDER CORPORATION
FOR THE TWELFTH JUDICIAL CIRCUIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 and 2015**

NOTE 5 RISK MANAGEMENT

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

Board of Risk and Insurance Management (BRIM)

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

Public Employees Insurance Agency (PEIA)

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

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

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.

**PUBLIC DEFENDER CORPORATION
FOR THE TWELFTH JUDICIAL CIRCUIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 and 2015**

NOTE 5 RISK MANAGEMENT (CONTINUED)

Other Commercial Coverage

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

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

NOTE 6 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Being Depreciated:				
Building Improvements	\$ -	\$ 9,961	\$ -	\$ 9,961
Computer Equipment	46,348	2,936	-	49,284
Furniture and Fixtures	20,280	-	-	20,280
Less: Accumulated Depreciation:				
Building	-	(996)	-	(996)
Computer Equipment	(46,348)	(587)	-	(46,935)
Furniture and Fixtures	(19,982)	(298)	-	(20,280)
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	<u>298</u>	<u>11,016</u>	<u>-</u>	<u>11,314</u>
Total Capital Assets Net				
Accumulated Depreciation	<u>\$ 298</u>	<u>\$ 11,016</u>	<u>\$ -</u>	<u>\$ 11,314</u>

The following is a summary of the changes in capital assets for the year ended June 30, 2015:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Being Depreciated:				
Computer Equipment	\$ 46,348	\$ -	\$ -	\$ 46,348
Furniture and Fixtures	20,280	-	-	20,280
Less: Accumulated Depreciation:				
Building	-	-	-	-
Computer Equipment	(46,348)	-	-	(46,348)
Furniture and Fixtures	(19,651)	-	(331)	(19,982)
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	<u>629</u>	<u>-</u>	<u>(331)</u>	<u>298</u>
Total Capital Assets Net				
Accumulated Depreciation	<u>\$ 629</u>	<u>\$ -</u>	<u>\$ (331)</u>	<u>\$ 298</u>

**PUBLIC DEFENDER CORPORATION
FOR THE TWELFTH JUDICIAL CIRCUIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 and 2015**

NOTE 7 LONG-TERM OBLIGATIONS

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

	Balance at June 30, 2015	Additions	Retirements	Balance at June 30, 2016	Due Within One Year
Compensated Absences	\$ 45,993	\$ 9,862	\$ -	\$ 55,855	\$ 55,855
OPEB	108,571	7,714	-	116,285	116,285
Net Pension Liability	91,388	47,107	-	138,495	-
Total	\$ 245,952	\$ 64,683	\$ -	\$ 310,635	\$ 172,140

Changes in long-term obligations of the Corporation during the year ended June 30, 2015 were as follows:

	June 30, 2014	Additions	Retirements	June 30, 2015	One Year
Compensated Absences	\$ 47,976	\$ -	\$ 1,983	\$ 45,993	\$ 45,993
OPEB	100,276	8,295	-	108,571	108,571
Net Pension Liability	225,738	-	134,350	91,388	-
Total	\$ 373,990	\$ 8,295	\$ 136,333	\$ 245,952	\$ 154,564

NOTE 8 OPERATING LEASES

The Corporation leases copiers and a facility under operating lease agreements. Aggregate payments under these agreements were \$22,990 and \$22,440 for the years ended June 30, 2016 and 2015.

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 TWELFTH JUDICIAL CIRCUIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 and 2015**

NOTE 10 SUBSEQUENT EVENTS

Management has evaluated events subsequent to the date of the statement of financial position through January 4, 2017, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through January 4, 2017 that would require adjustment or disclosure in the financial statements.

**PUBLIC DEFENDER CORPORATION FOR THE
TWELTH JUDICIAL CIRCUIT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**

Public Employees Retirement System

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Corporation's proportion of the net pension liability (asset) (percentage)	0.024802%	0.024762%	0.025855%
Corporation's proportionate share of the net pension liability (asset)	\$ 138,495	\$ 91,388	\$ 235,701
Corporation's covered-employee payroll	\$ 336,343	\$ 331,586	\$ 346,050
Corporation's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	41.18%	27.56%	68.11%
Plan fiduciary net position as a percentage of the total pension liability	94.23%	91.29%	79.70%

Information prior to fiscal year 2013 is not available.

*Will be built prospectively.

**PUBLIC DEFENDER CORPORATION FOR THE
TWELTH JUDICIAL CIRCUIT
SCHEDULE OF CONTRIBUTIONS
For the Year Ended June 30, 2016
Public Employees Retirement System**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contribution	\$ 48,373	\$ 47,088	\$ 48,080	\$ 48,447	\$ 50,192	\$ 41,369	\$ 35,013	\$ 43,563	\$ 32,562
Actual contribution	<u>(48,373)</u>	<u>(47,088)</u>	<u>(48,080)</u>	<u>(48,447)</u>	<u>(50,192)</u>	<u>(41,369)</u>	<u>(35,013)</u>	<u>(43,563)</u>	<u>(32,562)</u>
Contribution deficit (surplus)	<u>\$ -</u>								
Corporation's covered-employee payroll	\$ 358,319	\$ 336,343	\$ 331,586	\$ 346,050	\$ 346,152	\$ 330,952	\$ 318,300	\$ 396,027	\$ 325,620
Actual contribution as a percentage of covered-employee payroll	13.51%	14.00%	14.50%	14.00%	14.50%	12.50%	11.00%	11.00%	10.00%

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

	<u>Budget</u>	<u>Actual</u>	<u>Under/(Over) Budget to Actual</u>
Personal services	\$ 370,206	\$ 357,949	\$ 12,257
Employee benefits	114,587	99,874	14,713
Support services	13,190	11,395	1,795
Administrative support	11,200	9,641	1,559
Office	42,115	42,169	(54)
Acquisition	16,375	15,571	804
Total operating expenses	<u>\$ 567,673</u>	<u>\$ 536,599</u>	<u>\$ 31,074</u>



428 Second St.
Marietta, OH 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

104 South Sugar St.
St. Clairsville, OH 43950
740.695.1569

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

January 4, 2017

Public Defender Corporation for the Twelfth Judicial Circuit
102 Fayette Avenue
Fayetteville, WV 25840-0239

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 Twelfth Judicial Circuit**, (the Corporation) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated January 4, 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.



... "bringing more to the table"

Tax- Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll
Litigation Support - Financial Investigations

Members: American Institute of Certified Public Accountants

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• Association of Certified Anti - Money Laundering Specialists •



Compliance and Other Matters

As part of reasonably assuring whether the Corporation's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001.

Corporation's Response to Findings

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

We did note a certain matter not requiring inclusion in this report that we reported to the Corporation's management in a separate letter dated January 4, 2017.

Purpose of this Report

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



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

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

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

FINDING NUMBER 2016-001

Noncompliance/Material Weakness

Management and Officials of the Corporation should establish, implement and enforce internal control policies and procedures that mitigate the risk of misappropriation and / or theft of Corporation assets.

During the audit period, theft of Corporation assets occurred due to weaknesses in the design and execution of internal controls surrounding cash disbursements. Specifically, unauthorized use of signature stamps occurred because the signature stamps were not effectively safeguarded. Also, checks were improperly signed in advance of payee and amount being written on them.

The misappropriation of assets resulted in noncompliance with the Corporation's funding contract.

Corporation Management and Board members should ensure effectively designed and implemented internal control policies and procedures.

Management's Response – Prior to the audit of this Corporation, the Corporation had implemented a number of internal control policies and procedures when the misappropriation of assets was discovered. These policies and procedures were in place at least during the last two and one-half months of the audit period.

1. The signature stamp was destroyed and it is a clear policy that no signature stamps are to exist.
2. Accounting and check writing function was moved to an off-site accountant located at Tenth Judicial Circuit Corporation.
3. Blank checks are kept at the Tenth Judicial Circuit Corporation, and then written checks returned to the Corporation for signatures.
4. Chief Defender has a tickled reminder to verify that she has reviewed and inspected each bank statement no later than the 15th of each month.
5. Chief Defender and accountant now have online access to the bank account in order to review all transactions at any time, and no longer need a bank statement to review account activity.
6. All paid receipts/check stubs are kept in numerical order so that any 'missing' check would be immediately apparent.
7. All payroll is done by direct deposit so no paper payroll checks are generated.
8. Chairman of the Corporation is in the office at least twice a week to actively oversee and be available to review invoices/sign checks, the Chief Defender only executes the second required signature after the Board Chairman.
9. Board members have access to monthly bank statements.

**PUBLIC DEFENDER CORPORATION FOR THE
TWELFTH JUDICIAL CIRCUIT
FOR THE YEAR ENDED JUNE 30, 2016**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2015-001	Financial Reporting	Partially	Materially corrected. Management letter comment.