

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 THIRTEENTH 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 THIRTEENTH JUDICIAL CIRCUIT
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INDEPENDENT AUDITOR'S REPORT

December 31, 2016

Public Defender Corporation for the Thirteenth Judicial Circuit
P. O. Box 2827 / 3rd Floor, Leighton Building
816 Quarrier Street
Charleston, West Virginia 25330-2827

To the Board of Directors:

Report on the Financial Statements

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



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

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 Thirteenth 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

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 relate 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 December 31, 2016, 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 THIRTEENTH JUDICIAL CIRCUIT
MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015
(UNAUDITED)**

This discussion and analysis of the Public Defender Corporation for the Thirteenth Judicial Circuit, (the Corporation), of the State of West Virginia 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 are reported in accordance with accounting principles generally accepted in the United States of America. These statements include the statement 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, liabilities and net position as of the financial statements date. 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 and expenses when earned or incurred. This means that all of the current year's revenues and expenses are included regardless of when cash is paid or received, 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 present indigent person or juveniles and mental hygiene cases as appointed by the court.

Financial Analysis of the Corporation

The information contained in this section is used as a basis for the discussion presented on the following pages surrounding the Corporation's activity for the fiscal year ended June 30, 2016, and 2015.

**PUBLIC DEFENDER CORPORATION
FOR THE THIRTEENTH JUDICIAL CIRCUIT
MANAGEMENTS DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015
(UNAUDITED)**

Table 1
Summary of Net Position

	<u>2016</u>	<u>2015</u>
Current Assets	\$869,699	\$882,754
Net Capital Assets	<u>47,214</u>	<u>33,027</u>
Total Assets	<u>916,913</u>	<u>915,781</u>
Deferred Outflows of Resources	<u>413,909</u>	<u>251,734</u>
Current Liabilities	868,175	806,146
Long-Term Liabilities	<u>895,919</u>	<u>701,867</u>
Total Liabilities	<u>1,764,094</u>	<u>1,508,013</u>
Deferred Inflow of Resources	<u>398,728</u>	<u>636,853</u>
Total Net Position	<u><u>\$(832,000)</u></u>	<u><u>\$(977,351)</u></u>

Table 2
Change in Net Position

	<u>2016</u>	<u>2015</u>
Operating Revenues	\$ 2,934,624	\$ 3,275,323
Operating Expenses	<u>(2,789,273)</u>	<u>(2,687,909)</u>
Other Expenses	-	-
Operating Income (Loss)	<u>145,351</u>	<u>587,414</u>
Non-Operating Revenues	-	56
Total Non-Operating Revenues (Expenses)	<u>-</u>	<u>56</u>
Net Gain (Loss)	145,351	587,470
Total Net Position, Beginning of Year	<u>(977,351)</u>	<u>(1,564,821)</u>
Total Net Position, End of Year	<u><u>\$ (832,000)</u></u>	<u><u>\$ (977,351)</u></u>

Detailed Financial Analysis of the Corporation

Cash held by the Corporation increased by approximately \$9,000 due primarily to the timing in receipts from the West Virginia Public Defender Services during the current year. Other post-employment benefit liability, included in short-term liabilities, increased by approximately \$50,000 during the fiscal year ended June 30, 2016 for the post-employment benefit. Pension liability increased by approximately \$173,000, deferred inflows of resources decreased by approximately \$238,125, deferred outflows increased \$162,175 due to GASB 68. All other assets, deferred outflows, liabilities, and deferred inflows remained basically consistent with the prior period.

**PUBLIC DEFENDER CORPORATION
FOR THE THIRTEENTH JUDICIAL CIRCUIT
MANAGEMENTS DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015
(UNAUDITED)**

Operating revenue for the fiscal year decreased by approximately \$300,000 as a result of decreased funding from the West Virginia Public Defender Services.

The Corporation's revenues are derived from funding from West Virginia Public Defender Services and accordingly 100% of the Corporation's revenues were derived from this funding for the years ended June 30, 2016 and 2015.

Operating expenses for the fiscal year increased by approximately \$100,000 as a result of increases in personal service expense and pension expense.

Approximately 90% of the Corporation's revenues are utilized for program related purposes and 10% are for management and general purposes this is per the agreement with the West Virginia Public Defenders Services.

Capital Asset, Debt Activity

As of June 30, 2016, and 2015, the Corporation had capital assets amounting to approximately \$414,000 and \$393,000, respectively. The Corporation's capital assets include furniture and fixtures and computer equipment. The assets were being depreciated over useful life of three to seven years. The accumulated depreciation on the assets amounted to approximately \$370,000, and \$360,000, respectively.

Purchases of capital assets for the years ended June 30, 2016 and 2015 totaled approximately \$22,000 and \$1,500, respectively.

The Corporation has no long term debt obligations other than compensated absences and net pension liability. More detailed information is presented in the notes to the financial statements.

Economic Factors and 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, 2016. 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, 2016, the Corporation had a final approved budget of \$3,033,109. This is consistent with the prior year's final budget.

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 P. O. Box 2827, Charleston, WV 25330-2827.

**PUBLIC DEFENDER CORPORATION FOR THE
THIRTEENTH JUDICIAL CIRCUIT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2016**

ASSETS	
Current Assets:	
Cash	\$ 420,884
Accounts Receivable	445,800
Prepaid Insurance	3,015
Total Current Assets	<u>869,699</u>
Capital Assets:	
Furniture and Fixtures	145,983
Office Equipment	269,753
Less: Accumulated Depreciation	<u>(368,522)</u>
Total Capital Assets, net of Accumulated Depreciation	<u>47,214</u>
TOTAL ASSETS	<u>916,913</u>
DEFERRED OUTFLOWS OF RESOURCES	
Changes in employer proportion and differences between contributions and proportionate share of contributions	154,150
Employer contributions to pension plan subsequent to measurement date	<u>259,759</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>413,909</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 1,330,822</u></u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 12,079
Accrued Expenses	9,055
Payroll Withholding and Taxes Payable	20,955
Other Post Employment Benefits	826,086
Total Current Liabilities	<u>868,175</u>
Long-Term Liabilities:	
Compensated Absences	142,219
Net Pension Liability	<u>753,700</u>
Total Long-Term Liabilities	<u>895,919</u>
TOTAL LIABILITIES	<u>1,764,094</u>
DEFERRED INFLOWS OF RESOURCES	
Differences between Projected and Actual Earnings on Pension Plan	<u>398,728</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>398,728</u>
NET POSITION	
Net Investment in Capital Assets	47,214
Unrestricted (Deficit)	<u>(879,214)</u>
TOTAL NET POSITION	<u>(832,000)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	<u><u>\$ 1,330,822</u></u>

See accompanying notes to the financial statements.

**PUBLIC DEFENDER CORPORATION FOR THE
THIRTEENTH JUDICIAL CIRCUIT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016**

Operating Revenues	
West Virginia Public Defender Services Grant Revenue	<u>\$ 2,934,624</u>
Total Operating Revenues	<u>2,934,624</u>
Operating Expenses:	
Personal Services	1,959,783
Employee Benefits	426,309
Pension	37,447
Support Services	49,912
Administrative Support	42,521
Office Expense	260,209
Other	2,527
Acquisition	2,209
Depreciation	<u>8,356</u>
Total Operating Expenses	<u>2,789,273</u>
Operating Income	145,351
Net Position - Beginning of Year	<u>(977,351)</u>
Net Position - End of Year	<u><u>\$ (832,000)</u></u>

See accompanying notes to the financial statements.

**PUBLIC DEFENDER CORPORATION FOR THE
THIRTEENTH JUDICIAL CIRCUIT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from grants	\$ 2,956,697
Cash paid to suppliers for goods and services	(322,501)
Cash paid to employees	(2,580,885)
NET CASH PROVIDED BY OPERATING ACTIVITIES	32,575
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of Property and Equipment	(23,557)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(23,557)
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,018
CASH AT BEGINNING OF YEAR	411,866
CASH AT END OF YEAR	\$ 420,884
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Income (Loss)	\$ 145,351
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Depreciation Expense	8,356
CHANGE IN ASSETS AND LIABILITIES:	
(Increase) Decrease in:	
Accounts Receivable	22,073
Deferred Outflows of Resources	(162,175)
Increase (Decrease) in:	
Accounts Payable	12,908
Deferred Inflows of Resources	(216,156)
Accrued Expenses	(20,736)
Other Post Employment Benefits Payable	48,902
Compensated Absences	20,710
Net Pension Liability	173,342
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 32,575

See accompanying notes to the financial statements.

**PUBLIC DEFENDERS CORPORATION FOR THE
THIRTEENTH JUDICIAL CIRCUIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1 - ORGANIZATION

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Net Position

Net Position represents the difference between all other elements of the statement of net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net Position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Basis of Accounting

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

Cash and Cash Equivalents

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

**PUBLIC DEFENDERS CORPORATION
THIRTEENTH JUDICIAL CIRCUIT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2016
(CONTINUED)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets include furniture, fixtures, and computer equipment. Capital assets are stated at cost at the date of acquisition or construction, or fair market value at the date of donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally three to seven years. The Corporation's capitalization threshold is \$1,000. Depreciation expense for the year ended June 30, 2016 was \$8,356.

Compensated Absences

Effective July 1, 2008, the Corporation adopted GASS Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement provides standards for the measurement, recognition, and display of other postemployment benefit ("OPES") expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State of West Virginia (the "State"). Effective July 1, 2007, the Corporation was required to participate in this multiple employer cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, sponsored by the State of West Virginia. The Plan provides the following retiree group insurance coverage to participants: medical and prescription drug coverage through a self-insured preferred provider benefit (PPB) plan and through external managed care organizations (MCOs), basic group life, accidental death, and prescription drug coverage for retired employees of the State and various related State and non-State agencies and their dependents. Details regarding this plan can be obtained by contacting Public Employees Insurance Agency ("PEIA"), 601 5th Street, S.E., Charleston, WV 25304 or <http://www.wvpeia.com>.

This statement requires entities to accrue for employees' rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned and payment becomes probable.

Estimated obligations arise for vacation leave at the current rate of employee pay. Employees earn vacation leave based on years of service. Employees with less than 5 years of continuous full-time employment during any period earn 15 days per year. Employees with more than 5 years, but less than 10 years of service, earn 18 days per year. Employees with more than 10 but less than 15 years of service, earn 21 days per year. Employees with more than 15 years of service earn 24 days per year. Employees carryover a maximum of 25 days to the next fiscal year (unless an approved exemption to the rule) and are paid for unused vacation leave at the time of separation of employment.

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

**PUBLIC DEFENDERS CORPORATION
THIRTEENTH JUDICIAL CIRCUIT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2016
(CONTINUED)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The estimated expense and expense incurred for the vacation leave and OPEB benefits are recorded as a component of employee benefits on the statement of revenues, expenses and changes in net position. OPEB costs are accrued based upon invoices received from RHBT Trust Fund based upon actuarial determined amounts. At June 30, 2016, the liability related to OPEB cost was \$826,086. The total OPEB expense incurred was \$49,619, which is included as a component of employee benefit expense.

Risk Management

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

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

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

Operating and Nonoperating Revenues

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

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

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

**PUBLIC DEFENDERS CORPORATION
THIRTEENTH JUDICIAL CIRCUIT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2016
(CONTINUED)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

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

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the West Virginia Public Employees Retirement System (the PERS plan), and additions to/deductions from the PERS Plans' fiduciary net position have been determined on the same basis as they are reported by the PERS Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Estimates

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

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of net position may report deferred outflows/inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Corporation reported deferred inflows and outflows of resources for 2016.

**PUBLIC DEFENDERS CORPORATION
THIRTEENTH JUDICIAL CIRCUIT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2016
(CONTINUED)**

NOTE 3 - CAPITAL ASSETS

The following is a summary of capital asset transactions for the Corporation for the year ended June 30, 2016.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated:				
Furniture and Fixtures	\$ 127,929	\$ 18,054	\$ -	\$ 145,983
Computer Equipment	265,264	4,489	-	269,753
Less: Accumulated Depreciation:				
Furniture and Fixtures	(116,664)	(3,714)	-	(120,378)
Computer Equipment	<u>(243,502)</u>	<u>(4,642)</u>	<u>-</u>	<u>(248,144)</u>
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	<u>33,027</u>	<u>14,187</u>	<u>-</u>	<u>47,214</u>
 Total Capital Assets Net	 <u>\$ 33,027</u>	 <u>\$ 14,187</u>	 <u>\$ -</u>	 <u>\$ 47,214</u>

NOTE 4 - EMPLOYEE RETIREMENT SYSTEMS AND PLANS

The Corporation's defined benefit pension plan, West Virginia Public Employees Retirement System (the PERS Plan), provides pensions for all participating employees of the Corporation. The PERS Plan is a statewide, cost-sharing, multiple-employer, defined benefit retirement plan for public employees, established on July 1, 1961. All employees of the State of West Virginia and of any political subdivision whose governing body elects to participate are required (with certain exceptions) to become members. The PERS Plan is managed by a Board of Trustees, which consists of the Governor, State Auditor, State Treasurer, and Secretary of the Department of Administration, together with the following gubernatorial appointments that are subject to the advice and consent of the State Senate: four residents of the State who are not participants in the retirement plans, one State and one non-State employee participant in PERS, and one participant each from TRS, SPDDRS, SPRS, DSRs, EMSRS, MPFRS., AND TDCRS.

Participants in the PERS Plan who retire at age 60 with at least five years of credited service or at least age 55 with their age plus service equal to 80 or greater are entitled to a retirement benefit, payable monthly for life, equal to 2% of average salary multiplied by years of service. Average salary is the average of the three consecutive highest annual earnings out of the last fifteen years of earnings. Terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their benefits at age 62. The PERS Plan also provides death and disability benefits.

Contribution rates for the PERS Plan are subject to Chapter 5, Article 10 of the West Virginia State Code. For the year ended June 30, 2016, active members contributed 4.5 percent of their salary, and employers contributed 13.5 percent of the member's compensation into the plan.

**PUBLIC DEFENDERS CORPORATION
THIRTEENTH JUDICIAL CIRCUIT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2016
(CONTINUED)**

NOTE 4 - EMPLOYEE RETIREMENT SYSTEMS AND PLANS (CONTINUED)

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
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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)
---	---

Commission's contribution rate:	13.50%
---------------------------------	--------

Period required to vest:	5 Years
--------------------------	---------

Benefits and eligibility for distribution:

Tier 1

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

Tier 2

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

Deferred portion	No
------------------	----

Provision for:	
Cost of living	No
Death benefits	Yes

**PUBLIC DEFENDERS CORPORATION
THIRTEENTH JUDICIAL CIRCUIT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2016
(CONTINUED)**

NOTE 4 - EMPLOYEE RETIREMENT SYSTEMS AND PLANS (CONTINUED)

Public Employee Retirement System (PERS) (Continued)

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

<u>Percentage of Payroll</u>	<u>Total Wages</u>	<u>Covered Wages</u>	<u>Amount Contributed</u>
Employer Share - 13.50%	\$ 1,924,241	\$ 1,924,241	\$ 259,759
Tier 1 Employee Share - 4.50%	\$ 1,776,593	\$ 1,776,593	\$ 79,947
Tier 2 Employee Share - 6%	\$ 147,648	\$ 147,648	\$ 8,859

Trend Information

Public Employees' Retirement System (PERS)

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Percent Contributed</u>
2016	\$259,759	100%
2015	\$251,734	100%
2014	\$305,335	100%
2013	\$300,808	100%

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 government reported the following liabilities for its proportionate share of the net pension liabilities. The net pension liabilities were measured as of June 30, 2014, and the total pension liability used to calculate the net pension liabilities were determined by an actuarial valuation as of July 1, 2014 and rolled forward to June 30, 2015 using the actuarial assumptions and methods described in the appropriate section of this note. The Corporation's proportion of the net pension liabilities was based on a projection of the Corporation's long-term share of contributions to the pension plans relative to the projected contributions of all participating governments, actuarially determined.

**PUBLIC DEFENDERS CORPORATION
THIRTEENTH JUDICIAL CIRCUIT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2016
(CONTINUED)**

NOTE 4 - EMPLOYEE RETIREMENT SYSTEMS AND PLANS (CONTINUED)

Public Employee Retirement System (PERS) (Continued)

At June 30, 2015, the Corporation reported the following proportions and increase/decreases from its proportion measured as of June 30, 2014:

	<u>PERS</u>
Amount for proportionate share of net pension liability	\$753,700
Percentage for proportionate share of net pension liability	0.134974%
Increase/(decrease) % from prior proportion measured	-0.02228%

For the year ended June 30, 2016, the Corporation recognized the following pension expense:

	<u>PERS</u>
Pension Expense	<u>\$ 37,447</u>

The Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 165,272
Net differences between projected and actual experiences	154,150	-
Deferred differences in assumptions	-	90,658
Changes in proportion and differences between contributions and proportionate share of contributions	-	142,798
Contributions subsequent to measurement date	259,759	-
Totals	<u>\$ 413,909</u>	<u>\$ 398,728</u>

**PUBLIC DEFENDERS CORPORATION
THIRTEENTH JUDICIAL CIRCUIT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2016
(CONTINUED)**

NOTE 4 - EMPLOYEE RETIREMENT SYSTEMS AND PLANS (CONTINUED)

Public Employee Retirement System (PERS) (Continued)

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 ended 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:

Year Ended June 30:	
2017	\$ (118,026)
2018	(118,025)
2019	(110,389)
2020	101,862
Total	<u><u>\$ (244,578)</u></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.

Actuarial assumptions:

Inflation Rate	1.90%
Salary Increases	3.00% - 6.00%
Investment Rate of Return	7.50%

Mortality Rates:

- 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 Annuitant, Scale AA
- Disabled females – 107% of RP-2000 Disabled Annuitant, Scale AA

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.

**PUBLIC DEFENDERS CORPORATION
THIRTEENTH JUDICIAL CIRCUIT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2016
(CONTINUED)**

NOTE 4 - EMPLOYEE RETIREMENT SYSTEMS AND PLANS (CONTINUED)

Public Employee Retirement System (PERS) (Continued)

The long-term expected rate of return on pension plan investments were determined using a building-block method in which estimates of expected real rates of returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Rates summarized in the following table as of June 30, 2015 include the inflation component and were used for the all defined benefit plans:

<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:

	<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	\$ 1,738,230	\$ 753,700	\$ (78,080)

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

**PUBLIC DEFENDERS CORPORATION
THIRTEENTH JUDICIAL CIRCUIT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2016
(CONTINUED)**

NOTE 5 - CONCENTRATIONS

The Corporation maintains its account balances in a local financial institution. The account is insured by the Federal Deposit Insurance Corporation up to \$250,000. Additionally, the financial institution has provided collateral in the form of a treasury bond. The Corporation's bank balance at June 30, 2016 was \$519,535.

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

NOTE 6 - LONG TERM LIABILITIES

The following is a summary of long term obligation transactions for the Corporation for the year ended June 30, 2016:

	<u>Balance at June 30, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2016</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 121,509	\$ 20,710	\$ -	\$ 142,219	\$ 142,219
Net Pension Liability	580,358	173,342	-	753,700	-
Total	<u>\$ 701,867</u>	<u>\$ 194,052</u>	<u>\$ -</u>	<u>\$ 895,919</u>	<u>\$ 142,219</u>

NOTE 7 - OPERATING LEASE OBLIGATIONS

The Corporation leases equipment and facilities under operating lease agreements. Aggregate payments under these agreements were \$125,650 for the year ended June 30, 2016.

NOTE 8 - CONTINGENCIES

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

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

**PUBLIC DEFENDERS CORPORATION
THIRTEENTH JUDICIAL CIRCUIT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2016
(CONTINUED)**

NOTE 9 - CASH HELD AT FISCAL YEAR END

At June 30, 2016, the Corporation held cash and cash equivalents of \$420,884, 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 10 - SUBSEQUENT EVENTS

Management has evaluated events subsequent to the date of the statement of financial position through December 31, 2016, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through December 31, 2016 that would require adjustment or disclosure in the financial statements.

**PUBLIC DEFENDER CORPORATION FOR THE THIRTEENTH JUDICIAL CIRCUIT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
For the Year Ended June 30, 2016**

Public Employees Retirement System

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Corporation's proportion of the net pension liability (asset) (percentage)	0.134974%	0.157251%	0.160533%
Corporation's proportionate share of the net pension liability (asset)	\$ 753,700	\$ 580,359	\$ 1,463,471
Corporation's covered-employee payroll	\$ 2,185,553	\$ 2,105,759	\$ 2,148,629
Corporation's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	34.49%	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 THIRTEENTH JUDICIAL CIRCUIT
SCHEDULE OF CORPORATION CONTRIBUTIONS
For the Year Ended June 30, 2016
Public Employees Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined contribution	\$ 259,759	\$ 256,261	\$ 305,335	\$ 300,808
Actual contribution	<u>(259,759)</u>	<u>(251,734)</u>	<u>(305,335)</u>	<u>(300,808)</u>
Contribution deficit (surplus)	<u>\$ -</u>	<u>\$ 4,527</u>	<u>\$ -</u>	<u>\$ -</u>
Corporation's covered-employee payroll	\$ 1,924,141	\$ 2,185,533	\$ 2,105,759	\$ 2,148,629
Actual contribution as a percentage of covered-employee payroll	13.50%	11.73%	14.50%	14.00%

Information prior to fiscal year 2013 is not available.

**PUBLIC DEFENDER CORPORATION
FOR THE THIRTEENTH 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	\$ 1,987,980	\$ 1,959,782	\$ 28,198
Employee benefits	652,880	630,619	22,261
Support services	78,202	72,334	5,868
Administrative support	47,200	42,229	4,971
Office	229,781	225,853	3,928
Other	350	-	350
Acquisition	36,716	32,009	4,707
Total operating expenses	<u>\$ 3,033,109</u>	<u>\$ 2,962,826</u>	<u>\$ 70,283</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**

December 31, 2016

Public Defender Corporation for the Thirteenth Judicial Circuit
P. O. Box 2827 / 3rd Floor, Leighton Building
816 Quarrier Street
Charleston, West Virginia 25330-2827

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 Thirteenth Judicial Circuit**, (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 and have issued our report thereon dated December 31, 2016.

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.



...“bringing more to the table”

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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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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 December 31, 2016.

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
THIRTEENTH JUDICIAL CIRCUIT**

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.