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Certified Public Accountants, A.C.

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

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- Association of Certified Anti - Money Laundering Specialists •

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

December 30, 2016

Public Defender Corporation for the Fifteenth Judicial Circuit
203 West Main Street
Clarksburg, WV 26301

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the **Public Defender Corporation for the Fifteenth Judicial Circuit**, West Virginia, a component unit of the State of 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 Fifteenth 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 Fifteenth 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 December 28, 2015 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 December 30, 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 FIFTEENTH 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 Fifteenth Judicial Circuit of the State of West Virginia's financial performance provides an overview of the Corporation's financial activities for the fiscal years ended June 30, 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.

Financial Analysis of the Corporation

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Assets			
Capital Assets	\$ 1,606	\$ 2,626	\$ 4,503
Other Assets	205,163	159,805	104,957
Total Assets	<u>\$ 206,769</u>	<u>\$ 162,431</u>	<u>\$ 109,460</u>
Deferred Outflow of Resources	142,646	89,123	94,050
Liabilities			
Long-term Liabilities	\$ 672,798	\$ 563,091	\$ 808,439
Short-term Liabilities	41,378	35,013	28,787
Total Liabilities	<u>714,176</u>	<u>598,104</u>	<u>837,226</u>
Deferred Inflow of Resources	103,212	198,505	-
Net Position			
Net Investment in Capital Assets	1,606	2,626	4,503
Unrestricted	(469,579)	(547,681)	(638,219)
Total Net Position	<u>\$ (467,973)</u>	<u>\$ (545,055)</u>	<u>\$ (633,716)</u>

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

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	\$ 1,034,598	\$ 1,049,910	\$ 1,035,116
Operating Expenses	<u>957,798</u>	<u>961,295</u>	<u>1,429,941</u>
Operating Income (Loss)	<u>76,800</u>	<u>88,615</u>	<u>(394,825)</u>
Non-Operating Revenue	<u>282</u>	<u>46</u>	<u>54</u>
Change in Net Position	77,082	88,661	(394,771)
Net Position at Beginning of Year	<u>(545,055)</u>	<u>(633,716)</u>	<u>(238,945)</u>
Net Position at End of Year	<u>\$ (467,973)</u>	<u>\$ (545,055)</u>	<u>\$ (633,716)</u>

Detailed Financial Analysis of the Corporation

Grant income decreased approximately \$15,000 and cash held by the Corporation decreased by approximately \$43,000 as a result of operating cost exceeding operating revenues for the fiscal year ended June 30, 2016 and Other post-employment benefit liability (OPEB), included in long-term liabilities, increased by approximately \$24,000 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 decreased by approximately \$3,000. This decrease is mostly attributable to a decrease in employee benefits (\$11,000). The decrease in employee benefits is attributable to pension expense.

Capital Asset and Debt Activity

As of June 30, 2016, 2015, and 2014, the Corporation had capital assets costing approximately \$34,000, \$34,000, and \$109,500, 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 \$32,000, \$31,000, and \$105,000, respectively. There were no asset disposals during the current year. There were no purchases of capital assets for the years ended June 30, 2016, 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 .05% 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 \$282, \$151, and \$54, respectively.

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

Economic Factors and Next Year's Budget

The West Virginia Public Defender Services, the Corporation's oversight agency, looked at various factors when approving the budget for the year ending June 30, 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 \$1,010,509. This represents a budget decrease of approximately 1.9 percent or \$19,092 from the prior year. Individual budget categories have comparable decreases to budgeted categories of the prior budget year.

Requests for Information

The financial report is designed to provide an overview of the finances of the Corporation for those with an interest in the organization. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Corporation at 203 West Main Street, Clarksburg, WV 25301.

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

	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	\$ 114,061	\$ 156,589
Grant receivable	90,798	2,912
Prepaid expenses	304	304
Total current assets	205,163	159,805
Capital assets		
Computer and equipment	10,171	10,171
Furniture and fixtures	23,827	23,827
	33,998	33,998
Less accumulated depreciation	(32,392)	(31,372)
Capital assets, net	1,606	2,626
 Total assets	 206,769	 162,431
 DEFERRED OUTFLOWS OF RESOURCES		
Pension	142,646	89,123
 Total Assets and Deferred Outflows of Resources	 \$ 349,415	 \$ 251,554
 LIABILITIES		
Current liabilities		
Accrued expenses	\$ 10,330	\$ 7,060
Compensated absences	31,048	27,953
Total current liabilities	41,378	35,013
Long term liabilities		
Other post employment benefit liability	405,378	380,906
Net pension liability	267,420	182,185
Total long term liabilities	672,798	563,091
 Total liabilities	 714,176	 598,104
 DEFERRED INFLOWS OF RESOURCES		
Pension	103,212	198,505
 NET POSITION		
Net investment in capital assets	1,606	2,626
Unrestricted (Deficit)	(469,579)	(547,681)
Total net position	(467,973)	(545,055)
 Total Liabilities, Deferred Inflows of Resources and Net Position	 \$ 349,415	 \$ 251,554

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

**PUBLIC DEFENDER CORPORATION
FOR THE FIFTEENTH 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	\$ 1,034,598	\$ 1,048,740
WVU Law Grant	-	1,170
Total operating revenues	1,034,598	1,049,910
OPERATING EXPENSES		
Personal services	667,432	662,765
Employee benefits	179,770	190,435
Support services	11,476	5,992
Administrative support	8,948	8,883
Office	85,655	81,576
Other	1,311	5,004
Acquisition	2,186	4,868
Depreciation	1,020	1,772
Total operating expenses	957,798	961,295
Operating income (loss)	76,800	88,615
NONOPERATING REVENUES/(EXPENSES)		
Interest income	282	151
Loss on asset disposal	-	(105)
Total nonoperating revenues/(expenses)	282	46
Change in net position	77,082	88,661
Net position, beginning of year	(545,055)	(633,716)
Net position, end of year	\$ (467,973)	\$ (545,055)

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

**PUBLIC DEFENDER CORPORATION
FOR THE FIFTEENTH 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	\$ 946,712	\$ 1,046,998
Cash paid for expenses	(332,420)	(334,254)
Cash paid to employees	(657,102)	(660,575)
Net cash provided (used in) by operating activities	(42,810)	52,169
 CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received as interest	282	151
Net cash provided by investing activities	282	151
 Net increase (decrease) in cash and cash equivalents	(42,528)	52,320
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	156,589	104,269
 CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 114,061	\$ 156,589
 RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 76,800	\$ 88,615
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:		
Depreciation	1,020	1,772
(Increase) decrease in operating assets		
Prepaid expenses	-	384
Deferred outflows	(53,523)	4,927
Grant receivable	(87,886)	(2,912)
Increase (decrease) in operating liabilities		
Accrued expenses	3,270	4,036
Compensated absences	3,095	2,190
Pension liability	85,235	(267,832)
Deferred outflows	(95,293)	198,505
Other postemployment benefit liability	24,472	22,484
Total adjustments	(119,610)	(36,446)
Net cash provided by (used in) operating activities	\$ (42,810)	\$ 52,169
Non-cash transactions	-	\$ 105

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

**PUBLIC DEFENDER CORPORATION
FOR THE FIFTEENTH 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 Fifteenth 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 FIFTEENTH 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:

Office Equipment	3-10 years
Furniture and Fixtures	5-10 years

Net Position

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

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.

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 DEFENDER CORPORATION
FOR THE FIFTEENTH JUDICIAL CIRCUIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

NOTE 2 CASH HELD AT FISCAL YEAR END

At June 30, 2016 and 2015, the Corporation held cash and cash equivalents of \$114,061 and \$156,589, respectively, consisting of unexpended West Virginia Public Defender Service grant funds. West Virginia Public Defender Services considered this amount in determining the appropriate level of disbursements in the succeeding fiscal year necessary to fund the Corporation's normal operating activities.

NOTE 3 COMPENSATED ABSENCES AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Compensated Absences

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

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

Retirement Health Plan

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

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 \$24,472, which represents 100% of the required contribution this year. The Board's contribution to RHBT for the year ended June 30, 2015 was \$22,484, which represented 100% of the required contribution for that year.

**PUBLIC DEFENDER CORPORATION
FOR THE FIFTEENTH 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)

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>Covered Wages</u>	<u>Amount Contributed</u>
Employer Share - 13.50%	\$ 651,900	\$ 651,900	\$ 87,952
Tier 1 Employee Share - 4.50%	\$ 608,988	\$ 608,988	\$ 27,404
Tier 2 Employee Share - 6%	\$ 42,912	\$ 42,912	\$ 2,575

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>Covered Wages</u>	<u>Amount Contributed</u>
Employer Share - 14.0%	\$ 649,457	\$ 649,457	\$ 90,924
Tier 1 Employee Share - 4.50%	\$ 649,457	\$ 649,457	\$ 29,226

Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Percent Contributed</u>
2016	\$87,952	100%
2015	\$90,924	100%
2014	\$95,851	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.

**PUBLIC DEFENDER CORPORATION
FOR THE FIFTEENTH 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)

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 PERS	2014 PERS
Amount for proportionate share of net pension liability	\$ 267,420	\$ 182,185
Percentage for proportionate share of net pension liability	0.047890%	0.049364%
Increase/(decrease) % from prior proportion measured	-0.001474%	-0.000828%

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

	2016 PERS	2015 PERS
Pension Expense	\$ 26,214	\$ 18,985

**PUBLIC DEFENDER CORPORATION
FOR THE FIFTEENTH 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)

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	\$ -	\$ 58,640
Net differences between projected and actual experiences	54,694	-
Deferred differences in assumptions	-	32,166
Changes in proportion and differences between contributions and proportionate share of contributions	-	12,406
Contributions subsequent to measurement date	87,952	-
Totals	<u>\$ 142,646</u>	<u>\$ 103,212</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	\$ -	\$ 192,728
Changes in proportion and differences between contributions and proportionate share of contributions	-	5,777
Contributions subsequent to measurement date	89,123	-
Totals	<u>\$ 89,123</u>	<u>\$ 198,505</u>

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**PUBLIC DEFENDER CORPORATION
FOR THE FIFTEENTH 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)

		2016
Year Ended June 30:		
2017	\$	(25,998)
2018		(25,997)
2019		(24,071)
2020		27,548
Total	\$	(48,518)

		2015
Year Ended June 30:		
2016	\$	(46,488)
2017		(46,488)
2018		(46,488)
2019		(46,488)
2020		(12,553)
Total	\$	(198,505)

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.

**PUBLIC DEFENDER CORPORATION
FOR THE FIFTEENTH 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)

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

2015

<u>Asset Class</u>	<u>Long-term Expected Rate of Return</u>	<u>PERS Target Asset Allocation</u>
US Equity	7.0%	27.5%
International Equity	7.7%	27.5%
Core Fixed Income	2.7%	7.5%
High Yield Fixed Income	5.5%	7.5%
Real Estate	5.6%	10.0%
Private Equity	9.4%	10.0%
Hedge Funds	4.7%	10.0%
Cash	1.5%	0.0%
		<u>100.0%</u>

2014

<u>Investment</u>	<u>Long-term Expected Real Rate of Return</u>	<u>PERS Target Asset Allocation</u>
Us Equity (Russell 3000)	7.6%	27.5%
International Equity (ACWI ex US)	8.5%	27.5%
Fixed Income	2.9%	15.0%
High Yield	4.8%	0.0%
TPS	2.9%	0.0%
Real Estate	6.8%	10.0%
Private Equity	9.9%	10.0%
Hedge Funds	5.0%	10.0%
Inflation (CPI)	2.2%	0.0%
		<u>100.0%</u>

**PUBLIC DEFENDER CORPORATION
FOR THE FIFTEENTH 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)

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	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Proportionate share of PERS's			
Net pension liability	\$ 616,740	\$ 267,420	\$ (27,703)
2015	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Proportionate share of PERS's			
Net pension liability	\$ 514,793	\$ 182,185	\$ (101,227)

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

NOTE 5 RISK MANAGEMENT

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

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

NOTE 5 RISK MANAGEMENT (CONTINUED)

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.

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.

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

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:				
Computer Equipment	\$ 10,171	\$ -	\$ -	\$ 10,171
Furniture and Fixtures	23,827	-	-	23,827
Less: Accumulated Depreciation:				
Computer Equipment	(23,791)	(976)	-	(24,767)
Furniture and Fixtures	(7,581)	(44)	-	(7,625)
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	<u>2,626</u>	<u>(1,020)</u>	<u>-</u>	<u>1,606</u>
Total Capital Assets Net				
Accumulated Depreciation	<u>\$ 2,626</u>	<u>\$ (1,020)</u>	<u>\$ -</u>	<u>\$ 1,606</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	\$ 68,099	\$ -	\$ (57,928)	\$ 10,171
Furniture and Fixtures	41,411	-	(17,584)	23,827
Less: Accumulated Depreciation:				
Computer Equipment	(41,192)	(78)	17,479	(23,791)
Furniture and Fixtures	(63,815)	(1,694)	57,928	(7,581)
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	<u>4,503</u>	<u>(1,772)</u>	<u>(105)</u>	<u>2,626</u>
Total Capital Assets Net				
Accumulated Depreciation	<u>\$ 4,503</u>	<u>\$ (1,772)</u>	<u>\$ (105)</u>	<u>\$ 2,626</u>

**PUBLIC DEFENDER CORPORATION
FOR THE FIFTEENTH 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:

	<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>
OPEB	\$ 380,906	\$ 24,472	\$ -	\$ 405,378	\$ -
Compensated Absences	27,953	3,095	-	31,048	31,048
Net Pension Liability	<u>182,185</u>	<u>85,235</u>	<u>-</u>	<u>267,420</u>	<u>-</u>
Total	<u>\$ 591,044</u>	<u>\$ 112,802</u>	<u>\$ -</u>	<u>\$ 703,846</u>	<u>\$ 31,048</u>

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

	<u>Balance at June 30, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2015</u>	<u>Due Within One Year</u>
OPEB	\$ 358,422	\$ 22,484	\$ -	\$ 380,906	\$ -
Compensated Absences	25,763	2,190	-	27,953	27,953
Net Pension Liability	<u>450,017</u>	<u>-</u>	<u>267,832</u>	<u>182,185</u>	<u>-</u>
Total	<u>\$ 834,202</u>	<u>\$ 24,674</u>	<u>\$ 267,832</u>	<u>\$ 591,044</u>	<u>\$ 27,953</u>

NOTE 8 OPERATING LEASES

The Corporation leases copiers and a facility under operating lease agreements. Aggregate payments under these agreements were \$53,639 and \$5,731 for the years ended June 30, 2016 and 2015. Lease of the facility is currently on a month-to-month basis.

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 FIFTEENTH 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 December 30, 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 30, 2016 that would require adjustment or disclosure in the financial statements.

**PUBLIC DEFENDERS CORPORATION
FIFTEENTH JUDICIAL CIRCUIT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
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)	0.047890%	0.049364%	0.050192%
Corporation's proportionate share of the net pension liability (asset)	\$ 267,420	\$ 182,185	\$ 457,566
Corporation's covered-employee payroll	\$ 649,457	\$ 661,041	\$ 648,621
Corporation's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	41.18%	27.56%	70.54%
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 DEFENDERS CORPORATION
FIFTEENTH 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>
Actuarially determined contribution	\$ 87,952	\$ 90,924	\$ 95,851	\$ 94,050
Actual contribution	<u>(87,952)</u>	<u>(90,924)</u>	<u>(95,851)</u>	<u>(94,050)</u>
Contribution deficit (surplus)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Corporation's covered-employee payroll	\$ 651,900	\$ 649,457	\$ 661,041	\$ 648,621
Actual contribution as a percentage of covered-employee payroll	13.50%	14.00%	14.50%	14.50%

This chart will be built prospectively.

**PUBLIC DEFENDER CORPORATION
FOR THE FIFTEENTH 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	\$ 687,764	\$ 657,102	\$ 30,662
Employee benefits	234,235	218,879	15,356
Support services	12,152	11,476	676
Administrative support	9,150	8,948	202
Office	87,400	85,655	1,745
Other	1,500	1,311	189
Acquisition	24,000	2,186	21,814
Total operating expenses	<u>\$ 1,056,201</u>	<u>\$ 985,557</u>	<u>\$ 70,644</u>



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

December 30, 2016

Public Defender Corporation for the Fifteenth Judicial Circuit
203 West Main Street
Clarksburg, WV 26301

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 Fifteenth Judicial Circuit**, a component unit of the State of 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 and have issued our report thereon dated December 30, 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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Compliance and Other Matters

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

Purpose of this Report

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

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

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