PUBLIC DEFENDER CORPORATION
FOR THE SEVENTH JUDICIAL CIRCUIT
A COMPONENT UNIT OF THE STATE OF WEST VIRGINIA
Regular Audit
For the Fiscal Years Ended June 30, 2018 and 2017

313 Second St.	1907 Grand Central Ave.	150 W. Main St., #A	1310 Market St., #300	749 Wheeling Ave., #300
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PUBLIC DEFENDER CORPORATION
FOR THE SEVENTH JUDICIAL CIRCUIT
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INDEPENDENT AUDITOR'S REPORT

September 15, 2018

Public Defender Corporation for the Seventh Judicial Circuit
PO Box 1957
404 Main Street
Logan, WV 25601

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the **Public Defender Corporation for the Seventh Judicial Circuit**, West Virginia, a component unit of the State of West Virginia (the Corporation), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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 Seventh Judicial Circuit, West Virginia, as of June 30, 2018 and 2017, and the changes in financial position and cash flows thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2018, the Corporation adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. We did not modify our opinion regarding this matter.

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2018, 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.

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

PUBLIC DEFENDER CORPORATION
FOR THE SEVENTH JUDICIAL CIRCUIT
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017
UNAUDITED

This discussion and analysis of the Public Defender Corporation for the Seventh 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, 2018 and 2017 and identifies changes in the Corporation's financial position.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

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

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

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

Financial Analysis of the Corporation

	2018	2017 Restated	2016
Assets			
Capital Assets	$ 8,956	$ 9,304	$ 11,146
Other Assets	245,235	201,777	188,388
Total Assets	$ 254,191	$ 211,081	$ 199,534
Deferred Outflow of Resources	66,290	155,774	78,906
Liabilities			
Long-term Liabilities	$ 258,900	$ 412,317	$ 340,370
Short-term Liabilities	34,750	20,637	23,948
Total Liabilities	$ 293,650	$ 432,954	$ 364,318
Deferred Inflow of Resources	61,556	18,853	60,251
Net Position			
Net Investment in Capital Assets	8,956	9,304	11,146
Unrestricted (Deficit)	(43,681)	(94,256)	(157,275)
Total Net Position	$ (34,725)	$ (84,952)	$ (146,129)

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, 2018, 2017 and 2016.

	2018	2017 Restated	2016
Operating Revenue	$ 642,361	$ 636,555	$ 639,965
Operating Expenses	601,152	575,395	576,910
Operating Income (Loss)	$ 41,209	$ 61,160	$ 63,055
Non-Operating Revenue	9,018	17	17
Change in Net Position	50,227	61,177	63,072
Net Position at Beginning of Year	(84,952)	(146,129)	(209,201)
Net Position at End of Year	$ (34,725)	$ (84,952)	$ (146,129)

Detailed Financial Analysis of the Corporation

Cash held by the Corporation decreased by approximately $20,600 as a result of accounts receivable amounts uncollected at year end. The Net OPEB Liability and Net Pension Liability, included in long-term liabilities, decreased by approximately $153,400 primarily due to new actuarial valuations of the West Virginia PERS and Retirement Health Benefit Trust Fund. Deferred Outflows decreased and Deferred Inflows increased due to changes related to the adoption of GASB 75.

Grant income increased approximately $5,800. Operating expenses for the fiscal year increased by approximately $25,800. This increase is mostly attributable to an increase in employee benefits attributable to adjustments related to net pension and net OPEB liabilities.

Capital Asset and Debt Activity

As of June 30, 2018, 2017, and 2016, the Corporation had capital assets costing approximately $13,966, $99,000, and $99,000, respectively. The Corporation's capital assets include furniture and fixtures, leasehold improvements and office and computer equipment. The assets were being depreciated over useful lives of three to ten years. The accumulated depreciation on the assets amounted to approximately $5,010, $90,000, and $88,000, respectively. There were assets costing $86,957 disposed of during the current year. These assets were fully depreciated and had a net book value of $0. There were no purchases in 2017, but there were additions of capital assets for the years ended June 30, 2016 and 2018. More detailed information is presented in Note 8 to the financial statements. The Corporation had no debt for the years ended June 30, 2018, 2017, or 2016.

Cash Management

The Corporation's funds are deposited into a checking account at a national banking institution. The account earns interest at a rate of approximately .03% to .15% for the years ended June 30, 2018, 2017 and 2016, respectively. Interest earned on the account for the years ended June 30, 2018, 2017, and 2016 amounted to approximately $23, $17, and $17, respectively.

Economic Factors and Next Year's Budget

The West Virginia Public Defender Services, the Corporation's oversight agency, looked at various factors when approving the budget for the year ending June 30, 2019. 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, 2019, the Corporation has an approved budget of $619,948. This represents a budget decrease of approximately 3.49 percent or $22,411 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 PO Box 1957, 404 Main Street, Logan, WV 25601.

PUBLIC DEFENDER CORPORATION
FOR THE SEVENTH JUDICIAL CIRCUIT
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2018 AND 2017

	2018	2017 Restated
ASSETS		
Current assets		
Cash and cash equivalents	$ 181,209	$ 201,777
Grant receivable	64,026	-
Total current assets	245,235	201,777
Capital assets		
Leasehold Improvements	4,897	34,984
Computer and equipment	9,069	26,776
Furniture and fixtures	-	37,669
	13,966	99,429
Less accumulated depreciation	(5,010)	(90,125)
Capital assets, net	8,956	9,304
Total assets	254,191	211,081
DEFERRED OUTFLOWS OF RESOURCES		
Pension	55,670	143,858
Other post employment benefits	10,620	11,916
Total Deferred Outflows	66,290	155,774
Total Assets and Deferred Outflows of Resources	$ 320,481	$ 366,855
LIABILITIES		
Current liabilities		
Accrued expenses	$ 27,665	$ 13,494
Compensated absences	7,085	7,143
Total current liabilities	34,750	20,637
Long term liabilities		
Other post employment benefit liability	142,656	170,368
Net pension liability	116,244	241,949
Total long term liabilities	258,900	412,317
Total liabilities	293,650	432,954
DEFERRED INFLOWS OF RESOURCES		
Pension	38,080	18,853
Other post employment benefits	23,476	-
Total Deferred Intflows	61,556	18,853
NET POSITION		
Net investment in capital assets	8,956	9,304
Unrestricted (deficit)	(43,681)	(94,256)
Total net position	(34,725)	(84,952)
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 320,481	$ 366,855

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

PUBLIC DEFENDER CORPORATION
FOR THE SEVENTH JUDICIAL CIRCUIT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017 Restated
OPERATING REVENUES		
WV Public Defender Services Grant Revenue	$ 642,361	$ 636,555
Total operating revenues	642,361	636,555
OPERATING EXPENSES		
Personal services	393,034	385,482
Employee benefits	116,902	89,145
Support services	29,668	22,173
Administrative support	5,946	5,643
Office	51,980	69,799
Other	430	-
Acquisition	1,350	1,311
Depreciation	1,842	1,842
Total operating expenses	601,152	575,395
Operating income (loss)	41,209	61,160
NONOPERATING REVENUES		
Interest income	23	17
Payments of behalf of the Corporation	8,995	-
Total nonoperating revenues	9,018	17
Change in net position	50,227	61,177
Net position, beginning of year	(84,952)	(146,129)
Net position, end of year	$ (34,725)	$ (84,952)

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

PUBLIC DEFENDER CORPORATION
FOR THE SEVENTH JUDICIAL CIRCUIT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017 Restated
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grants	$ 578,335	$ 689,885
Cash paid for goods and services	(204,340)	(98,926)
Cash paid to employees	(393,092)	(524,257)
Net cash provided by (used in) operating activities	(19,097)	66,702
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of equipment	(1,494)	-
Net cash provided by (used in) capital and related financing activities	(1,494)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received as interest	23	17
Net cash provided by investing activities	23	17
Net increase (decrease) in cash and cash equivalents	(20,568)	66,719
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	201,777	135,058
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 181,209	$ 201,777
RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	$ 41,209	$ 61,160
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:		
Depreciation	1,842	1,842
Other postemployment benefits expense - special funding situation	8,995	-
(Increase) decrease in operating assets		
Grant receivable	(64,026)	53,330
Deferred outflows	89,484	(76,868)
Increase (decrease) in operating liabilities		
Accrued expenses	14,171	6,312
Compensated absences	(58)	(9,623)
Pension liability	(125,705)	95,586
Deferred inflows	42,703	(41,398)
Other postemployment benefit liability	(27,712)	(23,639)
Total adjustments	(60,306)	5,542
Net cash provided by (used in) operating activities	$ (19,097)	$ 66,702

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Reporting Entity

The Public Defender Corporation for the Seventh Judicial Circuits (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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

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

Capital Assets

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

Estimated useful lives of the assets are as follows:

Structures and Improvements	3-40 years
Office Equipment	3-10 years
Furniture and Fixtures	3-10 years

Net Position

Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the Corporation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Corporation's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. No portion of the Corporation's net position was restricted at June 30, 2018 or 2017.

Use of Estimates

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

Inventory

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

Insurance

Property and liability insurance coverage is considered adequate in the circumstances. See Note 7.

Budgetary

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pension

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

Other Post-Employment Benefits (OPEB)

It is the Corporation's policy to permit employees to accumulate earned but unused sick pay benefits. Sick benefits can be accumulated for unlimited days and carried forward to the subsequent fiscal year. When separated from employment, employees' sick leave benefits are considered ended and no reimbursement is provided. However, upon retirement, an employee's accumulated annual sick leave may be converted to a greater retirement benefit or payment of the retired employee's health insurance premiums. The cost of the increased retirement option is the liability of the West Virginia Consolidated Public Retirement Board. The payment of health insurance premiums must be absorbed by the last agency employing the retiree and is included as part of the OPEB liability.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by West Virginia Retiree Health Benefit Trust Fund (RHBT). For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Investments are reported at fair value, except for certain pooled investments, money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at amortized cost. See Note 6 for further discussion.

Operating Revenues and Expenses

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

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

Accounting principles generally accepted in the United States require management to evaluate tax positions taken by the Corporation and recognize a tax liability (or asset) if the Corporation has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service (IRS). Management has analyzed the tax positions taken by the Corporation, and has concluded that as of June 30, 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Corporation is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress. The Corporation's Federal Return of Organization Exempt from Income Tax (federal Form 990) for 2015, 2016 and 2017 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 2018 and 2017.

NOTE 2 NEWLY ADOPTED STATEMENTS ISSUED BY GASB

The Governmental Accounting Standards Board has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The adoption of GASB Statement No. 75 has required a restatement of beginning net position for its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 85, Omnibus 2017, effective for fiscal years beginning after June 15, 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The adoption of GASB Statement No. 85 had no impact on the June 30, 2018 financial statements.

NOTE 3 CASH HELD AT FISCAL YEAR END

At June 30, 2018 and 2017, the Corporation held cash and cash equivalents of $181,209 and $201,777, 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 4 COMPENSATED ABSENCES

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.

NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PLANS

Public Employee Retirement System (PERS)

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

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

Eligibility to participate:	All Corporation full-time employees, except those covered by other pension plans
Authority establishing contribution obligations and benefit provisions:	State statute
Tier 1 Plan member's contribution rate:	4.50% (Employees hired before July 1, 2015)
Tier 2 Plan member's contribution rate:	6.00% (Employee hired after July 1, 2015)
Corporation's contribution rate:	11.00% (2018); 12.00% (2017)
Period required to vest:	5 years Tier 1, 10 years Tier 2

NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PLANS (CONTINUED)

Public Employee Retirement System (PERS) (Continued)

Benefits and eligibility for distribution:

Tier 1

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

Tier 2

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

Deferred portion No

Provision for:

Cost of living No
Death benefits Yes

The Corporation's contributions to the West Virginia Public Employees Retirement System for the year ended June 30, 2018 is as follows:

Percentage of Payroll	Total Wages	Covered Wages	Amount Contributed
Employer Share – 11.00%	$ 393,092	$ 383,834	$ 42,221
Tier 1 Employee Share – 4.50%	$ 367,995	$ 367,995	$ 16,560
Tier 2 Employee Share – 6.00%	$ 25,097	$ 15,839	$ 950

The Corporation's contributions to the West Virginia Public Employees Retirement System for the year ended June 30, 2017 is as follows:

Percentage of Payroll	Total Wages	Covered Wages	Amount Contributed
Employer Share – 12.00%	$ 406,745	$ 392,350	$ 47,082
Tier 1 Employee Share – 4.50%	$ 406,745	$ 392,350	$ 17,687

NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PLANS (CONTINUED)

Public Employee Retirement System (PERS) (Continued)

Trend Information

Fiscal Year	Annual Pension Cost	Percent Contributed
2018	$42,221	100.00%
2017	$47,082	100.00%
2016	$48,971	100.00%

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

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

At fiscal year-end, the Corporation reported the following liabilities for its proportionate share of the net pension liabilities. The net pension liabilities were measured as of June 30, 2017 and 2016 for the Corporation fiscal years ended June 30, 2018 and 2017, respectively. The total pension liability used to calculate the net pension liabilities were determined by an actuarial valuation as of June 30, 2016 and rolled forward to June 30, 2017 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, 2018 and 2017, the Corporation reported the following proportions and increase/decreases from its proportion measured as of June 30, 2017 and 2016:

	2018 PERS	**2017** PERS
Amount for proportionate share of net pension liability	$ 116,244	$ 241,949
Percentage for proportionate share of net pension liability	0.026930%	0.026324%
Change in proportionate share percentage from prior year	0.000606%	0.000113%

For the years ended June 30, 2018 and 2017, the Corporation recognized the following pension expense:

	2018 PERS	**2017** PERS
Pension Expense	$ 21,441	$ 36,561

NOTE 5 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, 2018:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual Earnings on pension plan investments	$ -	$ 28,261
Changes in proportion and differences between contributions and proportionate share of contributions	3,104	3,533
Differences between expected and actual experience	10,345	257
Changes of assumption	-	6,029
Contributions subsequent to measurement date	42,221	-
Totals	$ 55,670	$ 38,080

The Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for the year ended June 30, 2017:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual Earnings on pension plan investments	$ 76,031	$ -
Changes in proportion and differences between contributions and proportionate share of contributions	568	7,065
Differences between expected and actual experience	20,177	-
Changes of assumption	-	11,788
Contributions subsequent to measurement date	47,082	-
Totals	$ 143,858	$ 18,853

NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PLANS (CONTINUED)

Public Employee Retirement System (PERS) (Continued)

For the year ended June 30, 2018 the amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. 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:	2018	Year Ended June 30:	2017
2019	(13,317)	2018	9,794
2020	12,269	2019	9,786
2021	606	2020	34,874
2022	(24,189)	2021	23,469
Total	$(24,631)	Total	$ 77,923

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2016 and rolled forward to June 30, 2017 for all plans, using the following actuarial assumptions, applied to all periods included in the measurement.

NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PLANS (CONTINUED)

Public Employee Retirement System (PERS) (Continued)

PERS	June 30, 2017	June 30, 2016
Actuarial Cost Method	Individual entry age normal cost with level percentage of payroll	Individual entry age normal cost with level percentage of payroll
Asset Valuation Method	Fair value	Fair value
Amortization Method	Level dollar, fixed period	Level dollar, fixed period
Amortization Period	Through Fiscal Year 2035	Through Fiscal Year 2035
Actuarial Assumptions:		
Investment Rate of Return	7.50%	7.50%
Projected Salary Increases:		
PERS:		
State	3.0-4.6%	3.0-4.6%
Nonstate	3.35-6%	3.35-6%
Inflation Rate	3.00%	3.00%
Discount Rate	7.50%	7.50%
Mortality Rates	Active-100% of RP-200 Non-Annuitant, Scale AA fully generational, Retired health males 110% of RP-2000 Healthy Annuitant, Scale AA fully generational, Retired healthy females-101% of RP-200 Healthy Annuitant, Scale AA fully generational, Disabled Males-96	Active-100% of RP-200 Non-Annuitant, Scale AA fully generational, Retired health males 110% of RP-2000 Healthy Annuitant, Scale AA fully generational, Retired healthy females-101% of RP-200 Healthy Annuitant, Scale AA fully generational, Disabled Males-96
Withdrawal Rates:		
State	1.75-35.1%	1.75-35.1%
Nonstate	2-35.8%	2-35.8%
Disability Rates	0-.675%	0-.675%
Retirement Rates	12-100%	12-100%
Date Range in Most Recent Experience Study	2009-2014	2009-2014

NOTE 5 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:

2017

Asset Class	Long-term Expected Rate of Return	PERS Target Asset Allocation
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	7.0%	10.0%
Private Equity	9.4%	10.0%
Hedge Funds	4.7%	10.0%
		100.0%

2016

Asset Class	Long-term Expected Rate of Return	PERS Target Asset Allocation
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	7.0%	10.0%
Private Equity	9.4%	10.0%
Hedge Funds	4.7%	10.0%
		100.0%

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

NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PLANS (CONTINUED)

Public Employee Retirement System (PERS) (Continued)

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:

2018

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase
Proportionate share of PERS net pension asset (liability)	$ (321,809)	$ (116,242)	$ 57,563

2017

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase
Proportionate share of PERS net pension asset (liability)	$ (437,966)	$ (241,949)	$ (75,479)

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 6 OTHER POSTEMPLOYMENT BENEFITS (OPEB)

West Virginia Retiree Health Benefit Trust Fund (RHBT)

Plan Description

The West Virginia Other Postemployment Benefit Plan (the OPEB Plan) is a cost-sharing, multiple-employer, defined benefit other post-employment benefit plan and covers the retirees of State agencies, colleges and universities, county boards of education, and other government entities as set forth in the West Virginia Code Section 5-16D-2 (the Code). The financial activities of the OPEB Plan are accounted for in the West Virginia Retiree Health Benefit Trust Fund (RHBT), a fiduciary fund of the State of West Virginia. The OPEB Plan is administered by a combination of the West Virginia Public Employees Insurance Agency (PEIA) and the RHBT staff. OPEB Plan benefits are established and revised by PEIA and the RHBT management with approval of their Finance Board. The PEIA issues a publically available financial report of the RHBT that can be obtained at www.peia.wv.gov or by writing to the West Virginia Public Employees Insurance Agency, 601 571h Street, SE Suite 2, Charleston, WV 25304.

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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

Benefits Provided

The Corporation's employees who retire are eligible for PEIA health and life benefits, provided they meet the minimum eligibility requirements of the PERS or meet certain other eligibility requirements of other CPRB sponsored retirement plans. RHBT provides medical and prescription drug insurance and life insurance benefits to those qualified participants. Life insurance is provided through a vendor and is fully funded by member contributions. The medical and prescription drug insurance is provided through two options; Self-Insured Preferred Provider Benefit Plan - primarily for non-Medicare-eligible retirees and spouses or External Managed Care Organizations - primarily for Medicare-eligible retirees and spouses.

The RHBT Medicare-eligible retired employees and their Medicare-eligible dependents receive medical and drug coverage from a Medicare Advantage Plan. Under this arrangement, the vendor assumes the financial risk of providing comprehensive medical and drug coverage with limited copayments. Non-Medicare retirees continue enrollment in PEIA's Preferred Provider Benefit or the Managed Care Option. The RHBT collects employer contributions for Managed Care Organization (MCO) participants and remits capitation payments to the MCO. Survivors of retirees have the option of purchasing the medical and prescription drug coverage.

Eligible participants hired after June 30, 2010, will be required to fully fund premium contributions upon retirement. The Plan is a closed plan to new entrants.

Contributions

West Virginia Code section 5-16D-6 assigns to the PEIA Finance Board the authority to establish and amend contribution requirements of the plan members and the participating employers. Participating employers are required by statute to contribute at a rate assessed each year by the RHBT. The annual contractually required rate is the same for all participating employers. Employer contributions represent what the employer was billed during the respective year for their portion of the pay as you go premiums, commonly referred to as paygo, retiree leave conversion billings, and other matters, including billing adjustments. The annual contractually required per active policyholder per month rates for State non-general funded agencies and other participating employers effective June 30, 2018, 2017, and 2016, respectively, were:

	2018	**2017**	**2017**	**2016**
		1/1/17 – 6/30/17	7/1/16-12/31/16	
Paygo Premium	$ 177	$ 135	$ 196	$ 163

Contributions to the OPEB plan from the Corporation were $10,620 for the year ended June 30, 2018.

Members retired before July 1, 1997, pay retiree healthcare contributions at the highest sponsor subsidized rate, regardless of their actual years of service. Members retired between July 1, 1997 and June 30, 2010, pay a subsidized rate depending on the member's years of service. Members hired on or after July 1, 2010, pay retiree healthcare contributions with no sponsor provided implicit or explicit subsidy.

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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

Retiree leave conversion contributions from the employer depend on the retiree's date of hire and years of service at retirement as described below;

•Members hired before July 1, 1988, may convert accrued sick or leave days into 100% of the required retiree healthcare contribution.

•Members hired from July 1, 1988, to June 30, 2001, may convert accrued sick or leave days into 50% of the required retiree healthcare contribution.

The conversion rate is two days of unused sick and annual leave days per month for single healthcare coverage and three days of unused sick and annual leave days per month for family healthcare coverage.

Contributions by Non-employer Contributing Entities in Special Funding Situations

The State of West Virginia is a non-employer contributing entity that provides funding through SB 419, effective July 1, 2012, amended by West Virginia Code §11-21-96. The State provides a supplemental pre-funding source dedicating $30 million annually to the RHBT Fund from annual collections of the Personal Income Tax Fund and dedicated for payment of the unfunded liability of the RHBT. The $30 million transferred pursuant to this Code shall be transferred until the Governor certifies to the Legislature that an independent actuarial study has determined that the unfunded liability of RHBT has been provided for in its entirety or July 1, 2037, whichever date is later. This funding is to the advantage of all RHBT contributing employers.

The State is a non-employer contributing entity that provides funding through West Virginia State Code §11B-2-32. The Financial Stability Fund is a plan to transfer an annual amount of $5 million to the RHBT from special revenue funds to be used to lower retiree premiums, to help reduce benefit cuts, to help reduce premium increases or any combination thereof. The $5 million transferred pursuant to this Code shall be transferred annually into the RHBT through June 30, 2020. This funding is to the advantage of all RHBT contributing employers.

The State is a non-employer contributing entity that provides funding through SB 469 which was passed February 10, 2012, granting OPEB liability relief to the 55 County Boards of Education effective July 1, 2012. The public school support plan (PSSP) is a basic foundation allowance program that provides funding to the local school boards for "any amount of the employer's annual required contribution allocated and billed to the county boards for employees who are employed as professional employees, employees who are employed as service personnel and employees who are employed as professional student support personnel", within the limits authorized by the State Code. This special funding under the school aid formula subsidizes employer contributions of the county boards of education.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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

At June 30, 2018, the Corporation reported a liability for its proportionate share of the RHBT net OPEB liability that reflected a reduction for State OPEB support provided to the Corporation. The amount recognized by the Corporation as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the Corporation was as follows:

The Corporation's proportionate share of the net OPEB liability	$ 142,656
State's special funding proportionate share of the net OPEB liability associated with the Corporation.	29,302
Total portion of net OPEB liability associated with the Corporation	$ 171,958

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016. The Corporation's proportion of the net OPEB liability was based on its proportionate share of employer and non-employer contributions to the OPEB Plan for the fiscal year ended on the measurement date. At June 30, 2017, the Corporation's proportion 0.005801 percent, which is a decrease of 0.0010591 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Corporation recognized OPEB expense of $7,651 and for support provided by the State under special funding situations revenue of $8,995. At June 30, 2018, the Corporation reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 478
Net difference between projected and actual earnings on OPEB plan investments	-	2,277
Changes in proportion and differences between the Corporation's contributions and proportionate share of contributions	-	20,721
The Corporation's contributions subsequent to the measurement date	10,620	-
Total	$ 10,620	$ 23,476

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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

The amount of $10,620 reported as deferred outflows of resources related to OPEB resulting from the Corporation's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	($6,277)
2020	(6,277)
2021	(6,277)
2022	(4,645)

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	Dependent upon pension system ranging from 3.00% to 6.50%, including inflation
Investment rate of return	7.15%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.50% and 9.75% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend of 4.50%. Excess trend rate of 0.14% and 0.29% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2020 to account for the Excise Tax.
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll over a 21 year closed period
Remaining amortization period	21 years closed as of June 30, 2016

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and Teachers' Retirement System (TRS). RP-2000 Healthy Annuitant Mortality Table projected to 2025 with scale BB for West Virginia Death, Disability, and Retirement Fund (Troopers A) and West Virginia State Police Retirement System (Troopers B). Pre-Retirement: RP-2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and TRS. RP-2000 Non-Annuitant Mortality Table projected to 2020 with Scale BB for Troopers A and B.

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010- June 30, 2015.

The long-term expected rate of return of 7.15% on OPEB plan investments was determined by a combination of an expected long-term rate of return of 7.50% for long-term assets invested with the West Virginia Investment Management Board (WVIMB) and an expected short-term rate of return of 3.0% for assets invested with the WVBTI. Long-term pre-funding assets are invested with the WVIMB. The strategic asset allocation consists of 55% equity, 15% fixed income, 10% private equity, 10% hedge fund and 10% real estate invested. Short-term assets used to pay current year benefits and expenses are invested with the WVBTI.

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

Asset Class	Long-Term Expected Real Rate of Return
Large Cap Domestic	17.0%
Non-Large Cap Domestic	22.0%
International Qualified	24.6%
International Non-Qualified	24.3%
International Equity	26.2%
Short-Term Fixed	0.5%
Total Return Fixed Income	6.7%
Core Fixed Income	0.1%
Hedge Fund	5.7%
Private Equity	19.6%
Real Estate	8.3%
Opportunistic Income	4.8%
Cash	0.0%

Discount Rate

The discount rate used to measure the total OPEB liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that RHBT contributions would be made at rates equal to the actuarially determined contribution rates, in accordance with prefunding and investment policies. Future pre-funding assumptions include a $30 million annual contribution from the State through 2037. Based on those assumptions, and that the Plan is expected to be fully funded by fiscal year ended June 30, 2036, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Discount rates are subject to change between measurement dates. The discount rate used to measure the total OPEB liability at June 30, 2016 is a 0.45% increase from the June 30, 2015 valuation.

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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

Other Key Assumptions

The projection assumes that the capped subsidy aggregate contribution limit of $150 million for 2017 would increase by $10 million per year on and after 2018. Additionally, the per member subsidy is projected to increase by at least 3.0% per year but no more than the healthcare trend inflation assumption such that the product of the projected subsidy and projected members is less than the projected aggregated capped costs; and the member's share of plan costs is expected remain stable as a percentage of total costs following the year that the program is fully funded. After 2035, the program is projected to be fully funded and the sponsor is assumed to contribute the residual portion of normal cost and operational expenses needed to maintain a funded ratio of 100% in future years. In addition, after 2035, the member's share of total plan costs is assumed to remain stable at approximately 61% of total plan costs. These assumptions produced per member annual capped subsidy increases of 3.0% per year from 2018 to 2023 and 4.5% per year after 2023.

Members hired on or after July 1, 2010, are required to pay 100% of expected cost of coverage, resulting in no implicit or explicit employer cost. Consequently, these members are excluded from the actuarial valuation.

Sensitivity of the Corporation’s proportionate share of the net OPEB liability to changes in *the discount rate.*

The following presents the Corporation’s proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the Corporation’s proportionate share of the net OPEB 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:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
The Corporation’s proportionate share of the net OPEB liability	$ 166,107	$ 142,656	$ 123,162

Sensitivity of the Corporation’s proportionate share of net OPEB liability to changes in the healthcare cost trend rates.

The following presents the Corporation’s proportionate share of the net OPEB liability, as well as what the Corporation’s proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage point higher than the current rates:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
The Corporation’s proportionate share of the net OPEB liability	$ 119,833	$ 142,656	$ 170,570

NOTE 7 RISK MANAGEMENT

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

Board of Risk and Insurance Management (BRIM)

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

Public Employees Insurance Agency (PEIA)

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

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

Workers Compensation Fund (WCF)

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

The WCF risk pool retains the risk related to the compensation of injured employees under the program.

NOTE 7 RISK MANAGEMENT (CONTINUED)

Other Commercial Coverage

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

During the year ended June 30, 2017 the Corporation did not reduce insurance coverage's from coverage levels in place as of June 30, 2016. No settlements have exceeded coverage levels in place during the past three years.

NOTE 8 CAPITAL ASSETS

The following is a summary of the changes in capital assets for the year ended June 30, 2018:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Being Depreciated:				
Computer Equipment	$ 26,776	$ 1,494	$ (19,201)	$ 9,069
Leasehold Improvements	34,984	-	(30,087)	4,897
Furniture and Fixtures	37,669	-	(37,669)	-
Less Accumulated Depreciation:				
Computer Equipment	(20,990)	(1,515)	18,338	(4,167)
Leasehold Improvements	(31,466)	(327)	30,950	(843)
Furniture and Fixtures	(37,669)	-	37,669	-
Total Capital Assets Net Accumulated Depreciation	$ 9,304	$ (348)	$ -	$ 8,956

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Being Depreciated:				
Computer Equipment	$ 26,776	$ -	$ -	$ 26,776
Leasehold Improvements	34,984	-	-	34,984
Furniture and Fixtures	37,669	-	-	37,669
Less Accumulated Depreciation:				
Computer Equipment	(20,337)	(653)	-	(20,990)
Leasehold Improvements	(30,277)	(1,189)	-	(31,466)
Furniture and Fixtures	(37,669)	-	-	(37,669)
Total Capital Assets Net Accumulated Depreciation	$ 11,146	$ (1,842)	$ -	$ 9,304

NOTE 9 LONG-TERM OBLIGATIONS

Changes in long-term obligations of the Corporation during the year ended June 30, 2018 were as follows:

	Balance at June 30, 2017	Additions	Retirements	Balance at June 30, 2018	Due Within One Year
Compensated Absences	$ 7,143	$ -	$ (58)	$ 7,085	$ 7,085
OPEB	170,368	-	(27,712)	142,646	-
Net Pension Liability	241,949	-	(125,705)	116,244	-
Total	$ 419,460	$ -	$ (153,475)	$ 265,975	$ 7,085

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

	Balance at June 30, 2016	Additions	Retirements	Balance at June 30, 2017	Due Within One Year
Compensated Absences	$ 16,766	$ -	$ (9,623)	$ 7,143	$ 7,143
OPEB	194,007	-	(23,639)	170,368	-
Net Pension Liability	146,363	95,586	-	241,949	-
Total	$ 357,136	$ 95,586	$ (33,262)	$ 419,460	$ 7,143

NOTE 10 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.

NOTE 11 RESTATEMENT FOR CHANGES IN ACCOUNTING PRINCIPLES

Effective July 1, 2017, the Corporation adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The Statement addresses accounting and financial reporting for other post-employment benefits (OPEB) provided to employees who participate in the State OPEB plan. The Statement also requires various note disclosures and required supplementary information. As a result, beginning net position has been restated as follows:

Net position as previously reported at June 30, 2017	$ (130,677)
Prior period adjustment	
Removal of prior year GASB 45 OPEB liability	204,177
Beginning new OPEB liability	(170,368)
Deferred outflows of resources – 2017 OPEB contributions	11,916
Total prior period adjustment	45,725
Net position as restated, June 30, 2017	$ (84,952)

NOTE 12 SUBSEQUENT EVENTS

Management has evaluated events subsequent to the date of the statement of financial position through September 15, 2018, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through September 15, 2018 that would require adjustment or disclosure in the financial statements.

PUBLIC DEFENDER CORPORATION
FOR THE SEVENTH JUDICIAL CIRCUIT
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY
JUNE 30, 2018

Retiree Health Benefit Trust

	2017	2016
Corporation's proportion of the net OPEB liability (asset) (percentage)	0.005801410%	0.006860492%
Corporation's proportionate share of the net OPEB liability (asset)	$ 142,656	$ 170,368
State's proportionate share of the net OPEB liability (asset) associated with the Corporation	29,302	-
Total	$ 171,958	$ 170,368
Corporation's covered-employee payroll	$ 335,055	$ 335,055
Corporation's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	42.58%	50.85%
Plan fiduciary net position as a percentage of the total OPEB liability	25.10%	21.64%

Information prior to 2016 is not available.

This schedule will be build prospectively

PUBLIC DEFENDER CORPORATION
FOR THE SEVENTH JUDICIAL CIRCUIT
SCHEDULE OF OPEB CONTRIBUTIONS
JUNE 30, 2018

Retiree Health Benefit Trust

	2018	2017
Contractually required contribution	$ 10,620	$ 11,916
Contributions in relation to contractually required contribution	(10,620)	(11,916)
Contribution deficit (surplus)	0	0
Corporation's covered-employee payroll	$ 309,995	$ 335,055
Contributions as a percentage of covered-employee payroll	3.43%	3.56%

The schedule will be built prospectively

PUBLIC DEFENDER CORPORATION
FOR THE SEVENTH JUDICIAL CIRCUIT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
JUNE 30, 2018

Public Employees Retirement System

	2017	2016	2015	2014	2013
Corporation's proportion of the net pension liability (asset) (percentage)	0.026930%	0.026324%	0.026211%	0.028072%	0.028063%
Corporation's proportionate share of the net pension liability (asset)	$ 116,244	$ 241,949	$ 146,363	$ 103,604	$ 156,705
Corporation's covered-employee payroll	$ 392,350	$ 362,748	$ 390,457	$ 373,469	$ 375,600
Corporation's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	29.63%	66.70%	37.49%	27.74%	41.72%
Plan fiduciary net position as a percentage of the total pension liability	93.67%	86.11%	94.23%	91.29%	79.70%

Information prior to 2013 is not available.

This chart will be built prospectively

PUBLIC DEFENDER CORPORATION
FOR THE SEVENTH JUDICIAL CIRCUIT
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018

Public Employees Retirement System

	2018	2017	2016	2015	2014	2013
Contractually required contribution	$ 42,221	$ 47,082	$ 48,971	$ 54,664	$ 54,153	$ 52,584
Contributions in relation to contractually required contribution	(42,221)	(47,082)	(48,971)	(54,664)	(54,153)	(52,584)
Contribution deficit (surplus)	$ -	$ -	$ -	$ -	$ -	$ -
Corporation's covered-employee payroll	$ 383,824	$ 392,350	$ 362,748	$ 390,457	$ 373,469	$ 375,600
Contributions as a percentage of covered-employee payroll	11.00%	12.00%	13.50%	14.00%	14.50%	14.00%

This chart will be built prospectively

NOTE 1 – TREND INFORMATION & CHANGES IN ASSUMPTIONS PERS

Trend Information Presented

The accompanying schedules of the Corporation's proportionate share of the net pension liability and contributions to PERS are required supplementary information to be presented for 10 years. However, until a full 10 year trend is compiled, information is presented in the schedules for those years for which information is available.

Plan Amendment

The PERS was amended to make changes which apply to new employees hired on or after July 1, 2015 as follows:

- For employees hired prior to July 1, 2015, qualification for normal retirement is age 60 with five years of service or at least age 55 with age and service equal to 80 or greater. For employees hired on or after July 1, 2015, qualification for normal retirement is 62 with 10 years of service or at least age 55 with age and service equal to 80 or greater.
- The straight life annuity retirement benefit is equivalent to 2% of average salary multiplied by years of service. For employees hired prior to July 1, 2015, average salary is the average of the three consecutive highest annual earnings out of the last fifteen years of earnings. For all employees hired on or after July 1, 2015 average salary is the average of the five consecutive highest annual earnings out of the last fifteen years of earnings.
- For employees hired prior to July 1, 2015, terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62. For all employees hired on or after July 1, 2015, this age increases to 64.
- For all employees hired prior to July 1, 2015, employees are required to contribute 4.5% of annual earnings. All employees hired on or after July 1, 2015, are required to contribute 6% of annual earnings.

NOTE 1 – TREND INFORMATION & CHANGES IN ASSUMPTIONS PERS (CONTINUED)

Changes in Assumption

An experience study, which was based on the years 2009 through 2014, was completed prior to the 2015 actuarial valuation. As a result, several assumptions were changed for the actuarial valuations as follows:

PERS	2017, 2016 and 2015	2014
Projected Salary Increases:		
PERS:		
State	3.0-4.6%	4.25-6.0%
Nonstate	3.35-6%	4.25-6.0%
Inflation Rate	3.0% (2017 & 2016); 1.9% (2015)	2.20%
Mortality Rates	Healthy males 110% of RP-2000 Healthy Annuitant, Scale AA Healthy females-101% of RP-2000 Healthy Annuitant, Scale AA Disabled males-96% of RP-2000 Disabled Annuitant, Scale AA Disabled females - 107% of RP-2000 Disabled Annuitant, Scale AA	Healthy males - 1983 GAM Healthy females - 1971 GAM Disabled males - 1971 GAM Disabled females - Revenue ruling 96-7
Withdrawal Rates:		
State	1.75-35.1%	1 - 26%
Nonstate	2-35.8%	2-31.2%
Disability Rates	0-.675%	0-.8%

NOTE 2 – CHANGES IN ASSUMPTIONS OPEB

Changes in the assumptions between the 2016 and 2015 valuations:

Certain economic and behavioral assumptions are unique to healthcare benefits. These assumptions include the healthcare trend, per capita claims costs, the likelihood that a member selects healthcare coverage and the likelihood that a retiree selects one-person, two person or family coverage. These assumptions were updated based on a recent experience study performed by the RHBT actuaries using five-year experience data through June 30, 2015. The updated per capita claims costs were also based on recent claims, enrollment and premium information as of the valuation date.

For the June 30, 2016 valuation, the retiree healthcare participation assumption for each retirement plan is slightly higher than the previous assumption used in the June 30, 2015 OPEB valuation. More members who were covered as actives will be assumed to participate as retirees.

The 2016 and 2015 valuations include consideration of the $30 million annual appropriations under Senate Bill 419, through July 1, 2037, or if earlier, the year the benefit obligation is fully funded. Additionally, the presentation of covered payroll was changed for the June 30, 2015, actuarial valuation. Participating employees hired before July 1, 2010, pay retiree premiums that are subsidized based on years of service at retirement. Participating employees hired on or after July 1, 2010, are required to fully fund premium contributions upon retirement. Consequently, beginning June 30, 2015, actuarial valuation covered payroll represents only the payroll for those OPEB eligible participating employees that were hired before July 1, 2010, allowing a better representation of the UAAL as a percentage of covered payroll, whereas, for the prior years, covered payroll is in total for all participating employees.

PUBLIC DEFENDER CORPORATION
FOR THE SEVENTH JUDICIAL CIRCUIT
SCHEDULE OF BUDGET TO ACTUAL EXPENSES - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Under/(Over) Budget to Actual
Personal services	$ 398,057	$ 393,092	$ 4,965
Employee benefits	137,368	115,034	22,334
Support services	38,092	29,623	8,469
Administrative support	7,841	5,947	1,894
Office	54,101	51,956	2,145
Other	400	430	(30)
Acquisition	6,500	1,350	5,150
Total operating expenses	$ 642,359	$ 597,432	$ 44,927

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

September 15, 2018

Public Defender Corporation for the Seventh Judicial Circuit
PO Box 1957
404 Main Street
Logan, WV 25601

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 Seventh Judicial Circuit**, a component unit of the State of West Virginia (the Corporation) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated September 15, 2018, wherein we noted the Corporation adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Perry & Associates CPA's A.C.

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

PUBLIC DEFENDER CORPORATION
FOR THE SEVENTH JUDICIAL CIRCUIT
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Finding Number	**Finding Summary**	**Fully Corrected?**	**Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; *Explain***
2017-001	Financial Reporting	Yes	Corrective Action Taken