



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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PUBLIC DEFENDER CORPORATION
FOR THE SECOND JUDICIAL CIRCUIT
A COMPONENT UNIT OF THE STATE OF WEST VIRGINIA

FINANCIAL STATEMENTS
WITH ADDITIONAL INFORMATION

For the Years Ended June 30, 2013 and 2012
Fiscal Years Audited Under GAGAS: 2013 and 2012

PUBLIC DEFENDER CORPORATION
FOR THE SECOND JUDICIAL CIRCUIT
YEARS ENDED JUNE 30, 2013 AND 2012

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INDEPENDENT AUDITOR'S REPORT

Honorable Members of the Board
Public Defender Corporation
Second Judicial Circuit
509 7th Street
Moundsville, West Virginia 26041

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Public Defender Corporation for the Second Judicial Circuit (the "Corporation"), a component unit of the State of West Virginia as of and for the years ended June 30, 2013 and 2012, 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Public Defender Corporation for the Second Judicial Circuit, a component unit of the State of West Virginia as of June 30, 2013 and 2012, and the respective 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 10 to the financial statements, during the year ended June 30, 2013, the Corporation adopted the provisions of Governmental Accounting Standard No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. 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*, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2013, 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 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.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
September 6, 2013

**PUBLIC DEFENDER CORPORATION
FOR THE SECOND JUDICIAL CIRCUIT
MANAGEMENT’S DISCUSSION & ANALYSIS
YEARS ENDED JUNE 30, 2013 AND 2012
(Unaudited)**

This discussion and analysis of the Public Defender Corporation for the Second Judicial Circuit of the State of West Virginia financial performance provides an overview of the Corporation’s financial activities for the fiscal years ended June 30, 2013 and 2012, 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, liabilities and net position as of the financial statements date. Through this presentation one can decipher the health of the Corporation by taking the difference between the assets and liabilities. An increase or decrease in the Corporation’s net position from one year to the next is an indicator of whether its financial health is improving or deteriorating.

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

Financial Analysis of the Corporation

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Assets			
Capital assets	\$ 3,970	\$ 5,354	\$ 6,742
Other assets	<u>116,054</u>	<u>143,609</u>	<u>244,339</u>
Total assets	\$ <u>120,024</u>	\$ <u>148,963</u>	\$ <u>251,081</u>
Liabilities			
Long-term liabilities	\$ 122,541	\$ 147,022	\$ 104,940
Short-term liabilities	<u>21,637</u>	<u>15,616</u>	<u>18,819</u>
Total liabilities	<u>144,178</u>	<u>162,638</u>	<u>123,759</u>

**PUBLIC DEFENDER CORPORATION
FOR THE SECOND JUDICIAL CIRCUIT
MANAGEMENT'S DISCUSSION & ANALYSIS
YEARS ENDED JUNE 30, 2013 AND 2012
(Unaudited)**

Financial Analysis of the Corporation (Continued)

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Net Position			
Net investment in capital assets	3,970	5,354	6,742
Unrestricted	<u>(28,124)</u>	<u>(19,029)</u>	<u>120,580</u>
Total liabilities and net position	\$ <u>120,024</u>	\$ <u>148,963</u>	\$ <u>251,081</u>

The Corporation's revenues are derived from funding from West Virginia Public Defender Services (WVPDS) and accordingly 100% of the Corporation's revenues were derived from this funding for the years ended June 30, 2013, 2012 and 2011.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating revenue	\$ 442,777	\$ 346,949	\$ 557,174
Operating expenses	<u>453,256</u>	<u>487,946</u>	<u>508,229</u>
Operating income (loss)	<u>(10,479)</u>	<u>(140,997)</u>	<u>48,945</u>
Nonoperating revenue	<u>-0-</u>	<u>-0-</u>	<u>9</u>
Change in net position	<u>(10,479)</u>	<u>(140,997)</u>	<u>48,954</u>
Net position at beginning of year	<u>(13,675)</u>	<u>127,232</u>	<u>78,368</u>
Net position at end of year	\$ <u>(24,154)</u>	\$ <u>(13,675)</u>	\$ <u>127,322</u>

Detailed Financial Analysis of the Corporation

Cash held by the Corporation at June 30, 2013, decreased by approximately \$28,000 from the prior year, due to partial payment of other post employment benefit liability. Total capital assets decreased slightly due to depreciation. Other post employment benefit liability, included in long term post employment benefit liabilities, decreased by approximately \$24,000 due to payments made by the Corporation during the fiscal year ended June 30, 2013 for the post employment benefit. All other assets and liabilities remained consistent with the prior fiscal year.

Operating revenue for the fiscal year ended June 30, 2013 increased by approximately \$96,000 due to increased funding from WVPDS.

**PUBLIC DEFENDER CORPORATION
FOR THE SECOND JUDICIAL CIRCUIT
MANAGEMENT'S DISCUSSION & ANALYSIS
YEARS ENDED JUNE 30, 2013 AND 2012
(Unaudited)**

Detailed Financial Analysis of the Corporation (Continued)

Operating expenses for the fiscal year ended June 30, 2013, decreased by approximately \$35,000. This decrease is attributable to a decrease in employee benefits of approximately \$42,000, which is due to a decrease in other post employment benefit expenses for the fiscal year ended June 30, 2013. All other expenses remained consistent with the prior fiscal year.

Capital Asset and Debt Activity

As of June 30, 2013, 2012, and 2011, the Corporation had capital assets amounting to approximately \$48,000. The Corporation's capital assets include furniture, fixtures and computer equipment. The assets were being depreciated over their useful lives of three to ten years. The accumulated depreciation on the capital assets amounted to approximately \$45,000, \$43,000 and \$42,000 respectively at June 30, 2013, 2012 and 2011. There were no disposals of capital assets during the current fiscal year ended June 30, 2013.

There were no purchases of capital assets during the years ended June 30, 2013, 2012 and 2011.

The Corporation has no long term debt obligations other than the other post employment benefit liability.

More detailed information is presented in the notes to the financial statements.

Cash Management

The Corporation's funds are deposited into a checking account at a national banking institution. The account earned no interest for the years ended June 30, 2013 and 2012. The account earned interest at a rate of .01% for the year ended June 30, 2011 amounting to approximately \$10.

Economic Factors and Next Year's Budget

The WVPDS, the Corporation's oversight agency, looked at various factors when approving the budget for the year ending June 30, 2014. Included are 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.

**PUBLIC DEFENDER CORPORATION
FOR THE SECOND JUDICIAL CIRCUIT
MANAGEMENT'S DISCUSSION & ANALYSIS
YEARS ENDED JUNE 30, 2013 AND 2012
(Unaudited)**

Economic Factors and Next Year's Budget (Continued)

For the year ending June 30, 2014, the Corporation has an approved budget of \$512,693. This represents a decrease of approximately \$10,558 from the prior year original budget. The budget contains a decrease in salaries non-lawyers, of \$9,800 due to reduced staffing. All other budgeted items are within a reasonable amount to the prior year.

Request 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 509 Seventh Street, Moundsville, WV 26041.

PUBLIC DEFENDER CORPORATION
FOR THE SECOND JUDICIAL CIRCUIT
STATEMENTS OF NET POSITION
JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 113,432	\$ 141,649
Prepaid expenses	2,622	1,960
Total current assets	<u>116,054</u>	<u>143,609</u>
Capital assets		
Furniture and fixtures	10,749	10,749
Computer equipment	37,729	37,729
	<u>48,478</u>	<u>48,478</u>
Less accumulated depreciation	<u>(44,508)</u>	<u>(43,124)</u>
Capital assets, net	<u>3,970</u>	<u>5,354</u>
Total assets	<u>\$ 120,024</u>	<u>\$ 148,963</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 1,876	\$ 1,246
Accrued expenses	4,174	3,395
Compensated absences	15,587	10,975
Total current liabilities	<u>21,637</u>	<u>15,616</u>
Long term liabilities		
Other post employment benefit liability	<u>122,541</u>	<u>147,022</u>
Total liabilities	<u>144,178</u>	<u>162,638</u>
NET POSITION		
Net investment in capital assets	3,970	5,354
Unrestricted	<u>(28,124)</u>	<u>(19,029)</u>
Total net position	<u>\$ (24,154)</u>	<u>\$ (13,675)</u>

The Accompanying Notes Are An Integral Part of These Financial Statements

PUBLIC DEFENDER CORPORATION
FOR THE SECOND JUDICIAL CIRCUIT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Operating revenues		
West Virginia Public Defender Services Grant Revenue	\$ 442,777	\$ 346,949
	<u>442,777</u>	<u>346,949</u>
Total operating revenues		
Operating expenses		
Personal services	296,232	293,167
Employee benefits	106,340	148,504
Support services	11,723	11,060
Administrative support	8,350	7,966
Office	24,766	23,312
Other	3,601	1,678
Acquisition	860	871
Depreciation	1,384	1,388
Total operating expenses	<u>453,256</u>	<u>487,946</u>
Operating income/(loss)	(10,479)	(140,997)
Net position, beginning of year	<u>(13,675)</u>	<u>127,322</u>
Net position, end of year	<u>\$ (24,154)</u>	<u>\$ (13,675)</u>

The Accompanying Notes Are An Integral Part of These Financial Statements

PUBLIC DEFENDER CORPORATION
FOR THE SECOND JUDICIAL CIRCUIT
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Cash received from grants	\$ 442,777	\$ 346,949
Cash paid for expenses	<u>(470,994)</u>	<u>(447,250)</u>
Net cash provided (used) by operating activities	<u>(28,217)</u>	<u>(100,301)</u>
 Net decrease in Cash and Cash Equivalents	 (28,217)	 (100,301)
 Cash and cash equivalents, beginning of year	 <u>141,649</u>	 <u>241,950</u>
 Cash and cash equivalents, end of year	 <u><u>\$ 113,432</u></u>	 <u><u>\$ 141,649</u></u>
 Reconciliation of operating loss to net cash provided (used) by operating activities:		
 Operating income/(loss)	 <u>\$ (10,479)</u>	 <u>\$ (140,997)</u>
Adjustments:		
Depreciation	1,384	1,388
Decrease (increase) in operating assets		
Other assets	(662)	429
Increase (decrease) in operating liability		
Accounts payable	630	754
Accrued expenses	779	(628)
Compensated absences	4,612	(3,329)
Other post employment benefit liability	<u>(24,481)</u>	<u>42,082</u>
 Total adjustments	 <u>(17,738)</u>	 <u>40,696</u>
 Net cash provided (used) by operating activities	 <u><u>\$ (28,217)</u></u>	 <u><u>\$ (100,301)</u></u>

The Accompanying Notes Are An Integral Part of These Financial Statements

PUBLIC DEFENDER CORPORATION
FOR THE SECOND JUDICIAL CIRCUIT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 1 - ORGANIZATION

The Public Defender Corporation for the Second 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.

Approximately 91% of the Corporation's revenues are utilized for program related purposes and 9% are for management and general purposes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Net Position

Net Position represents the difference between assets and liabilities. 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. The Corporation did not have any outstanding borrowings as noted above for the year ended June 30, 2013. Net Position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Corporation did not have any restricted net position for the year ended June 30, 2013.

Basis of Accounting

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

PUBLIC DEFENDER CORPORATION
FOR THE SECOND JUDICIAL CIRCUIT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

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

Capital Assets

Capital assets include furniture, fixtures and computer equipment. Capital assets are stated at cost at the date of acquisition or construction, or fair market value at the date of donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally three to ten years. The Corporation's capitalization threshold is \$1,000. Depreciation expense for the years ended June 30, 2013 and 2012 was \$1,384 and \$1,388, respectively.

Compensated Absences and Other Post Employment Benefits (OPEB)

Effective July 1, 2007, the Corporation adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement provides standards for the measurement, recognition, and display of other postemployment benefit ("OPEB") expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State of West Virginia (the "State"). Effective July 1, 2007, the Corporation was required to participate in this multiple employer cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, sponsored by the State of West Virginia. The Plan provides the following retiree group insurance coverage to participants: medical and prescription drug coverage through a self-insured preferred provider benefit (PPB) plan and through external managed care organizations (MCOs), basic group life, accidental death, and prescription drug coverage for retired employees of the State and various related State and non-State agencies and their dependents. Details regarding this plan can be obtained by contacting Public Employees Insurance Agency ("PEIA"), State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard, East, Charleston WV 25305-0710 or <http://www.wvpeia.com>.

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

Estimated obligations arise for vacation leave at the current rate of employee pay. Employees earn vacation leave based on years of service. Employees with less than 1 year of continuous full-time employment during any period earn 10 days per year. Employees with 1 year, but less than 5 years of full-time employment during any continuous 5-year 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 and employees with more than 10 years or more, earn 25 days per year. Employees vest in a maximum of 15 days of unused vacation leave which is paid at the time of separation from employment.

PUBLIC DEFENDER CORPORATION
FOR THE SECOND JUDICIAL CIRCUIT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Also, the Corporation grants sick leave based on time worked. Full-time employees earn 9 days of sick leave per year, but can carryover up to 60 days. The Corporation accrues a liability for sick leave because 10% of the leave balance is paid at the time of separation of employment. The liability is now provided for under the multiple employer cost-sharing plan sponsored by the State.

The estimated expense and expense incurred for the vacation leave and OPEB benefits are recorded as a component of employee benefits on the statement of revenues, expenses and changes in net position. OPEB costs are accrued based upon invoices received from RHBT Trust Fund based upon actuarial determined amounts. At June 30, 2013 and 2012, the noncurrent liability related to OPEB cost was \$122,541 and \$147,022, respectively. The total OPEB expense incurred was \$5,296 and \$42,082, respectively which is included as a component of employee benefit expense. As of the years ended June 30, 2013 and 2012, there were no retirees receiving these benefits.

Risk Management

The Corporation has obtained general, property, casualty and liability coverage for itself and its employees thru a third party insurance company. Any loss in excess of the \$1,000,000 policy limit will be the responsibility of the Corporation.

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

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

Revenues

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

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

PUBLIC DEFENDER CORPORATION
FOR THE SECOND JUDICIAL CIRCUIT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Income Taxes

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

Use of Estimates

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

NOTE 3 - CAPITAL ASSETS

The following is a summary of capital asset transactions for the Corporation for the years ended June 30, 2013 and 2012:

	2013			Ending Balance
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	
Capital assets being depreciated:				
Computer Equipment	37,729	-	-	37,729
Furniture and fixtures	10,749	-	-	10,749
Total capital assets	<u>48,478</u>	<u>-</u>	<u>-</u>	<u>48,478</u>
Less accumulated depreciation for:				
Computer equipment	(35,198)	(893)	-	(36,091)
Furniture and fixtures	(7,926)	(491)	-	(8,417)
Total accumulated depreciation	<u>(43,124)</u>	<u>(1,384)</u>	<u>-</u>	<u>(44,508)</u>
Capital assets, net	<u>\$ 5,354</u>	<u>\$ (1,384)</u>	<u>\$ -</u>	<u>\$ 3,970</u>

PUBLIC DEFENDER CORPORATION
FOR THE SECOND JUDICIAL CIRCUIT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 3 - CAPITAL ASSETS (Continued)

	2012			Ending <u>Balance</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	
Capital assets being depreciated:				
Computer equipment	\$ 37,729	\$ -	\$ -	\$ 37,729
Furniture and fixtures	10,749	-	-	10,749
Total capital assets	<u>48,478</u>	<u>-</u>	<u>-</u>	<u>48,478</u>
Less accumulated depreciation for:				
Computer equipment	(34,304)	(894)	-	(35,198)
Furniture and fixtures	(7,432)	(494)	-	(7,926)
Total accumulated depreciation	<u>(41,736)</u>	<u>(1,388)</u>	<u>-</u>	<u>(43,124)</u>
Capital assets, net	<u>\$ 6,742</u>	<u>\$ (1,388)</u>	<u>\$ -</u>	<u>\$ 5,354</u>

NOTE 4 - DEFINED BENEFIT RETIREMENT PLAN

The Corporation contributes to the West Virginia Public Employees' Retirement System (PERS), a cost-sharing multiple-employer benefit pension plan administered by the West Virginia Consolidated Public Retirement Board. Chapter 5, Article 10 of the West Virginia State Code assigns the authority to establish and amend benefits provisions to the PERS Board of Trustees. Employees who retire at or after age 60 with five or more years of contributory service or who retire at or after age 55 and have completed 25 years of credited service are eligible for retirement benefits as established by State statute.

Retirement benefits are payable monthly for life, in the form of a straight-line annuity equal to two percent of the employee's final average salary multiplied by the number of years of the employee's credited service at the time of retirement. PERS also provides deferred retirement, early retirement, death and disability benefits to plan members and beneficiaries. The West Virginia Consolidated Public Retirement Board issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the West Virginia Consolidated Public Retirement Board, 1900 Kanawha Boulevard East, Building Five, Charleston, West Virginia 25305 or by calling (304) 558-3570.

FUNDING POLICY – The PERS funding policy has been established by action of the State Legislature. State statute requires that plan participants contribute 4.5% of compensation. The current combined contribution rate is 18.5% of annual covered payroll, including the Corporation's contribution of 14% which is established by PERS. Effective July 1, 2013, an increase in the contribution rate of 0.5% will raise the Corporation's contribution rate to 14.5%. Total contributions to PERS for the years ended June 30, 2013, 2012, and 2011 were \$53,596, \$56,334 and \$51,035, respectively, which consisted of \$40,559, \$42,992 and \$37,526 from the Corporation and \$13,037, \$13,342 and \$13,509 from the covered employees, respectively.

PUBLIC DEFENDER CORPORATION
FOR THE SECOND JUDICIAL CIRCUIT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 4 - DEFINED BENEFIT RETIREMENT PLAN (Continued)

Under the Plan guidelines, if an employee is hired by the Corporation and joins the Plan after they have been previously employed by another state agency, this employee has the ability to make a retroactive purchase of prior service time or “buy-back”. Under the current contract with the West Virginia Public Defender Services office of the State of West Virginia, the Corporation will only fund the employer portion of such buy-backs on a case by case scenario after consideration by the West Virginia Public Defender Services. West Virginia Public Defender Services expressly declines to purchase retroactive service credit. For the years ended June 30, 2013 and 2012, the Corporation did not authorize the employer portion of any buy-backs for Plan participants.

NOTE 5 - CONCENTRATIONS

The Corporation maintains its account balances in a local financial institution. From December 31, 2010 through December 31, 2012, all noninterest-bearing transaction accounts are fully insured by FDIC, regardless of the account balance and the ownership capacity of the funds. Starting January 1, 2013, all deposits of an entity in the same ownership category are covered up to at least \$250,000. The Corporation’s bank balance at June 30, 2013 and 2012 were \$125,971 and \$152,787, respectively.

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

NOTE 6 - LONG TERM LIABILITIES

The following is a summary of long term obligation transactions for the Corporation for the years ended June 30, 2013 and 2012:

	2013				
	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Current <u>Portion</u>
Long term liabilities:					
Other post employment benefit liability	147,022	5,296	29,777	122,541	-
Compensated absences	<u>10,975</u>	<u>4,612</u>	<u>-</u>	<u>15,587</u>	<u>15,587</u>
Total long term liabilities	<u>\$ 157,997</u>	<u>\$ 9,908</u>	<u>\$ 29,777</u>	<u>\$ 138,128</u>	<u>\$ 15,587</u>
	2012				
	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Current <u>Portion</u>
Long term liabilities:					
Other post employment benefit liability	104,940	84,697	42,615	147,022	-
Compensated absences	<u>14,304</u>	<u>-</u>	<u>3,329</u>	<u>10,975</u>	<u>10,975</u>
Total long term liabilities	<u>\$ 119,244</u>	<u>\$ 84,697</u>	<u>\$ 45,944</u>	<u>\$ 157,997</u>	<u>\$ 10,975</u>

PUBLIC DEFENDER CORPORATION
FOR THE SECOND JUDICIAL CIRCUIT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 7 - OPERATING LEASE OBLIGATIONS

The Corporation leases office facilities under an operating lease agreement. Payments under this agreement were \$9,600 for the year ended June 30, 2012. The agreement remained on a month to month basis until April 1, 2013, when the Corporation moved offices and entered into a three year lease agreement for \$1,200 per month.

NOTE 8 - CONTINGENCIES

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

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

NOTE 9 - CASH HELD AT FISCAL YEAR END

At June 30, 2013 and 2012, the Corporation held cash and cash equivalents of \$113,432 and \$141,649, respectively, consisting of unexpended West Virginia Public Defender Service grant funds. West Virginia Public Defender Services considered this amount in determining the succeeding fiscal year necessary to fund the Corporation's normal operating activities.

NOTE 10 - CHANGES IN ACCOUNTING PRINCIPLES

For 2013, the Corporation implemented Governmental Accounting Standards Board (GASB) Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" and GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position."

GASB Statement No. 62 incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements.

PUBLIC DEFENDER CORPORATION
FOR THE SECOND JUDICIAL CIRCUIT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 10 - CHANGES IN ACCOUNTING PRINCIPLES (Continued)

GASB Statement No. 63 provides financial and reporting guidance for deferred outflows of resources, deferred inflows of resources, and net position in a Statement of Net Position and related disclosures. GASB Statement No. 63 standardizes the presentation of deferred outflows and resources and deferred inflows of resources and their effects on the Corporation's net position.

The implementation of these GASB Statements had no impact on beginning of year net position.



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

Honorable Members of the Board
Public Defender Corporation
for the Second Judicial Circuit
509 7th Street
Moundsville, West Virginia 26041

Our report on our audit of the basic financial statements of the Public Defender Corporation for the Second Judicial Circuit for the year ended June 30, 2013 appears on pages 1 and 2. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of budget to actual expenses – cash basis provides additional analysis and is not a required part of the basic financial statements. The schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, OH
September 6, 2013

PUBLIC DEFENDER CORPORATION
 FOR THE SECOND JUDICIAL CIRCUIT
 SCHEDULE OF BUDGET TO ACTUAL EXPENSES - CASH BASIS
 YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	Under/(Over) Budget to <u>Actual</u>
Personal services	\$ 326,510	\$ 290,864	\$ 35,646
Employee benefits	149,428	131,150	18,278
Support services	20,075	11,043	9,032
Administrative services	13,045	8,350	4,695
Office	34,375	25,242	9,133
Other	5,335	3,601	1,734
Acquisitions	4,260	744	3,516
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 553,028</u>	<u>\$ 470,994</u>	<u>\$ 82,034</u>



Balestra, Harr & Scherer, CPAs, Inc.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Honorable Members of the Board
Public Defender Corporation
for the Second Judicial Circuit
509 7th Street
Moundsville, West Virginia 26041

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 business-type activities of the Public Defender Corporation for the Second Judicial Circuit (the "Corporation"), a component unit of the State of West Virginia, as of and for the years ended June 30, 2013 and 2012, 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 6, 2013, wherein we noted the Corporation implemented Governmental Accounting Standard No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

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.

We did note certain matters not requiring inclusion in this report that we reported to the Corporation's management in a separate letter dated September 6, 2013.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
September 6, 2013



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Public Defender Corporation for the Second Judicial Circuit
509 7th Street
Moundsville, WV 26041

In accordance with Government Auditing Standards, applicable to financial audits, we have audited the financial statements of the Public Defender Corporation for the Second Judicial Circuit (the Corporation) as of and for the year ended June 30, 2013, and have issued our report thereon dated September 6, 2013.

Government Auditing Standards also require that we describe the scope of our testing of compliance with laws and regulations and internal controls and report any irregularities, illegal acts, other material noncompliance and significant deficiencies in internal controls. We have issued the required report dated September 6, 2013 for the year ended June 30, 2013.

We are submitting for your consideration the following comment on the Corporation's compliance with applicable laws and regulations and on its internal controls. This comment reflects matters that, while in our opinion does not represent material instances of noncompliance or significant internal control deficiencies, we believe represents a matter for which improvements in compliance or internal controls or operational efficiencies might be achieved. Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing the recommendation suggested below. However, this comment reflects our continuing desire to assist your corporation. If you have any questions or concerns regarding this comment, please do not hesitate to contact us.

Non Compliance

1. According to WV Code Section 29-21-15 (b), the board of directors shall have at least four meetings a year. Due to the large distance some of the board members must travel to attend the meetings, and the busy schedules of the attorneys on the board, the Corporation only held three meeting during the audit period.

We recommend the Board of Directors establish a regular meeting schedule that includes at least four meetings annually and two alternate dates in order to comply with the West Virginia Code. If a scheduled meeting cannot be conducted due to lack of a quorum, a replacement meeting should be scheduled. In addition, the minutes from these meetings should be prepared in a timely manner to ensure that documentation is maintained for all meetings held.

Recommendations

1.* The Chief Defender is not bonded. While it is not a legal requirement, it is a protective measure for the Public Defender Corporation and the Chief Defender in the event that an act of fraud or theft occurs.

The Corporation should bond the Chief Defender at an amount determined by the Board of Directors.

*reissued from the prior year

This report is intended solely for the information and use of the Public Defender Corporation for the Second Judicial Circuit Board of Directors, management of the Corporation, West Virginia Public Defender Corporation, and state awarding agencies. We intend it for no one other than these specified parties.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.

Piketon, OH

September 6, 2013