



# Balestra, Harr & Scherer, CPAs, Inc.

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

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PUBLIC DEFENDER CORPORATION  
FOR THE TWENTY-THIRD JUDICIAL CIRCUIT  
A COMPONENT UNIT OF THE STATE OF WEST VIRGINIA

FINANCIAL STATEMENTS  
WITH ADDITIONAL INFORMATION

For the Years Ended June 30, 2014 and 2013  
Fiscal Years Audited Under GAGAS: 2014 and 2013

PUBLIC DEFENDER CORPORATION  
FOR THE TWENTY-THIRD JUDICIAL CIRCUIT  
YEARS ENDED JUNE 30, 2014 AND 2013

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# Balestra, Harr & Scherer, CPAs, Inc.

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## INDEPENDENT AUDITOR'S REPORT

Honorable Members of the Board  
Public Defender Corporation  
Twenty-Third Judicial Circuit  
Martinsburg, West Virginia

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Public Defender Corporation for the Twenty-Third Judicial Circuit (the "Corporation"), a component unit of the State of West Virginia as of and for the years ended June 30, 2014 and 2013, 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 Twenty-Third Judicial Circuit, a component unit of the State of West Virginia as of June 30, 2014 and 2013, 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.

## 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 November 28, 2014, 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.  
Huntington, West Virginia  
November 28, 2014

PUBLIC DEFENDER CORPORATION  
FOR THE TWENTY-THIRD JUDICIAL CIRCUIT  
MANAGEMENT'S DISCUSSION & ANALYSIS  
YEARS ENDED JUNE 30, 2014 and 2013  
(Unaudited)

This discussion and analysis of the Public Defender Corporation of the Twenty-Third 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, 2014 and 2013, 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 the court.

PUBLIC DEFENDER CORPORATION  
FOR THE TWENTY-THIRD JUDICIAL CIRCUIT  
MANAGEMENT'S DISCUSSION & ANALYSIS  
YEARS ENDED JUNE 30, 2014 and 2013  
(Unaudited)

**Financial Analysis of the Corporation**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>Assets</b>			
Capital assets	\$ 13,693	\$ 16,869	\$ 12,423
Other assets	<u>459,357</u>	<u>486,057</u>	<u>1,421,621</u>
Total Assets	<u>\$ 473,050</u>	<u>\$ 502,926</u>	<u>\$ 1,434,044</u>
<b>Liabilities</b>			
Long-term liabilities	347,816	\$ 387,596	\$ 685,127
Short-term liabilities	<u>184,876</u>	<u>187,408</u>	<u>196,087</u>
Total Liabilities	<u>\$ 532,692</u>	<u>\$ 575,004</u>	<u>\$ 881,214</u>
<b>Net Position</b>			
Net investment in capital assets	13,693	\$ 16,869	\$ 12,423
Unrestricted	<u>(73,335)</u>	<u>(88,947)</u>	<u>540,407</u>
Total liabilities and net position	<u>\$ 473,050</u>	<u>\$ 502,926</u>	<u>\$ 1,434,044</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, 2014, 2013 and 2012.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating revenue	\$ 2,596,507	\$ 1,928,772	\$3,306,898
Operating expenses	<u>2,584,757</u>	<u>2,555,038</u>	<u>2,949,634</u>
Operating (loss) income	<u>11,750</u>	<u>(626,266)</u>	<u>357,264</u>
Non-operating revenue	<u>686</u>	<u>1,358</u>	<u>2,052</u>
Change in net position	<u>12,436</u>	<u>(624,908)</u>	<u>359,316</u>
Net position beginning of year	<u>(72,078)</u>	<u>552,830</u>	<u>193,514</u>
Net position at end of year	<u>\$ (59,642)</u>	<u>\$ (72,078)</u>	<u>\$ 552,830</u>

PUBLIC DEFENDER CORPORATION  
FOR THE TWENTY-THIRD JUDICIAL CIRCUIT  
MANAGEMENT'S DISCUSSION & ANALYSIS  
YEARS ENDED JUNE 30, 2014 and 2013  
(Unaudited)

**Detailed Financial Analysis of the Corporation**

Cash held by the Corporation decreased by approximately \$26,000 primarily as a result of increased expenditures for salaries and benefits during the fiscal year ended June 30, 2014. Other post-employment benefit liability (OPEB), included in long-term liabilities decreased by approximately \$40,000 primarily due to the Corporation making funding allocations during the fiscal year ended June 30, 2014. All other assets and liabilities remained basically consistent with the prior period.

The grant received from the West Virginia Public Defender Services increased by approximately \$630,000 during the fiscal year ended June 30, 2014.

Operating expenses for the fiscal year increased by approximately \$30,000. This increase is mostly attributable to an increase in salaries (\$39,000).

**Capital Asset and Debt Activity**

As of June 30, 2014, 2013, and 2012, the Corporation had capital assets amounting to approximately \$266,900, \$266,900, and \$258,700, respectively. The Corporation's capital assets include furniture and fixtures, 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 \$253,000, \$250,000, and \$246,200, respectively. There were no disposals during the current year. Purchase of capital assets for the years ended June 30, 2014, 2013, and 2012 totaled approximately \$-0-, \$8,180, and \$-0- respectively. 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 earns interest at a rate of approximately .10% to .12% for the years ended June 30, 2014, 2013 and 2012, respectively. Interest earned on the account for the years ended June 30, 2014, 2013, and 2012 amounted to approximately \$680, \$1,350, and \$2,050, respectively.

PUBLIC DEFENDER CORPORATION  
FOR THE TWENTY-THIRD JUDICIAL CIRCUIT  
MANAGEMENT'S DISCUSSION & ANALYSIS  
YEARS ENDED JUNE 30, 2014 and 2013  
(Unaudited)

**Economic Factors and Next Year's Budget**

The West Virginia Public Defender Services, the Corporation's oversight agency, looked at various factors when approving the budget for the year ending June 30, 2015. 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, 2015, the Corporation had an approved budget of \$2,671,206. This represents a budget with no significant change from the prior year original budget. All budgeted items are within a reasonable amount to the prior 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 313 Monroe Street, Martinsburg, WV 25404.



PUBLIC DEFENDER CORPORATION  
FOR THE TWENTY-THIRD JUDICIAL CIRCUIT  
STATEMENTS OF NET POSITION  
JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 445,309	\$ 471,342
Other assets	14,048	14,715
Total current assets	<u>459,357</u>	<u>486,057</u>
Capital assets		
Leasehold Improvements	11,550	11,550
Furniture and fixtures	16,072	16,072
Computer Equipment	239,264	239,264
	<u>266,886</u>	<u>266,886</u>
Less accumulated depreciation	<u>(253,193)</u>	<u>(250,017)</u>
Capital assets, net	<u>13,693</u>	<u>16,869</u>
Total assets	<u>\$ 473,050</u>	<u>\$ 502,926</u>
 <b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 6,349	\$ 6,349
Accrued expenses	34,290	44,122
Compensated absences	144,237	136,937
Total current liabilities	<u>184,876</u>	<u>187,408</u>
Long term liabilities		
Other post employment benefit liability	<u>347,816</u>	<u>387,596</u>
Total long term liabilities	<u>347,816</u>	<u>387,596</u>
Total liabilities	<u>532,692</u>	<u>575,004</u>
 <b>NET POSITION</b>		
Net investment in capital assets	13,693	16,869
Unrestricted	<u>(73,335)</u>	<u>(88,947)</u>
Total net position	<u>\$ (59,642)</u>	<u>\$ (72,078)</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

PUBLIC DEFENDER CORPORATION  
FOR THE TWENTY-THIRD JUDICIAL CIRCUIT  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Operating revenues		
West Virginia Public Defender Services Grant Revenue	\$ 2,560,420	\$ 1,928,772
Other Grant Revenue	<u>36,087</u>	<u>-</u>
Total operating revenues	<u>2,596,507</u>	<u>1,928,772</u>
Operating expenses		
Personal services	1,619,483	1,580,488
Employee benefits	559,679	560,999
Support services	137,978	122,447
Administrative support	38,021	47,135
Office	190,809	196,428
Other	3,192	16,000
Acquisition	32,419	27,807
Depreciation	<u>3,176</u>	<u>3,734</u>
Total operating expenses	<u>2,584,757</u>	<u>2,555,038</u>
Operating income (loss)	11,750	(626,266)
Nonoperating revenues		
Interest income	<u>686</u>	<u>1,358</u>
Total nonoperating revenues	<u>686</u>	<u>1,358</u>
CHANGE IN NET POSITION	12,436	(624,908)
Net position, beginning of year	<u>(72,078)</u>	<u>552,830</u>
Net position, end of year	<u>\$ (59,642)</u>	<u>\$ (72,078)</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

PUBLIC DEFENDER CORPORATION  
FOR THE TWENTY-THIRD JUDICIAL CIRCUIT  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Cash received from grants	\$ 2,560,420	\$ 1,928,772
Cash paid to suppliers for goods and services	(401,752)	(409,817)
Cash paid to employees	(2,221,474)	(2,447,697)
Other Income	36,087	-
Net cash provided by operating activities	<u>(26,719)</u>	<u>(928,742)</u>
Cash flows from investing activities		
Cash received as interest	686	1,358
Cash purchases of property and equipment	-	(8,180)
Net cash provided (used) by investing activities	<u>686</u>	<u>(6,822)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(26,033)	(935,564)
Cash and cash equivalents, beginning of year	<u>471,342</u>	<u>1,406,906</u>
Cash and cash equivalents, end of year	<u>\$ 445,309</u>	<u>\$ 471,342</u>
Reconciliation of operating (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 11,750	\$ (626,266)
Adjustments:		
Depreciation	3,176	3,734
Decrease (increase) in operating assets		
Other assets	667	-
Increase (decrease) in operating liability		
Accrued expenses	(9,832)	(19,775)
Compensated absences	7,300	11,096
Other post employment benefit liability	(39,780)	(297,531)
Total adjustments	<u>(38,469)</u>	<u>(302,476)</u>
Net cash provided by operating activities	<u>\$ (26,719)</u>	<u>\$ (928,742)</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

PUBLIC DEFENDER CORPORATION  
FOR THE TWENTY-THIRD JUDICIAL CIRCUIT  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2014 AND 2013

**NOTE 1 – ORGANIZATION**

The Public Defender Corporation for the Twenty-Third 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 84% of the Corporation's revenues are utilized for program related purposes and 16% 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 generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Corporation's accounting principles are described below.

Reporting Entity

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

Net Position

Net Position represents the difference between 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, 2014. 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, 2014.

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 TWENTY-THIRD JUDICIAL CIRCUIT  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2014 AND 2013

**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, computer equipment, and leasehold improvements. 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 accelerated and straight-line methods over the estimated useful lives of the assets, generally 5 to 10 years. The Corporation's capitalization threshold is \$1,000. Depreciation expense for the years ended June 30, 2014 and 2013 was \$3,176 and \$3,734 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 5 years of continuous full-time employment during any period earn 15 days per year. Employees with 5 years, but less than 12 years of full-time employment during any continuous 10-year period, earn 18 days per year, and employees with more than 12 years of full-time employment during any continuous period of 10 years or more, earn 21 days per year. Employees vest in a maximum of 35 days of unused vacation leave which is paid at the time of separation of employment.

PUBLIC DEFENDER CORPORATION  
FOR THE TWENTY-THIRD JUDICIAL CIRCUIT  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2014 AND 2013

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Compensated Absences and Other Post Employment Benefits (OPEB) (Continued)

Also, the Corporation grants sick leave based on time worked. Full-time employees earn 18 sick leave days for each year of service with no maximum accumulation. The Corporation does not accrue any liability for sick leave because no amount is paid at the time of separation of employment. 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, 2014 and 2013, the noncurrent liability related to OPEB cost was \$347,816 and \$387,596. During the year ended June 30, 2014, the Corporation applied approximately \$57,000 to its OPEB liability. This allotment was paid into the PEIA account during the year. The total OPEB expense incurred was \$17,031 and \$-0-, which is included as a component of employee benefit expense. As of the years ended June 30, 2014 and 2013, there were no retirees receiving these benefits.

Risk Management

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

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

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

PUBLIC DEFENDER CORPORATION  
FOR THE TWENTY-THIRD JUDICIAL CIRCUIT  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2014 AND 2013

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Revenue Sources

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.

*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 a non-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.

PUBLIC DEFENDER CORPORATION  
FOR THE TWENTY-THIRD JUDICIAL CIRCUIT  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2014 AND 2013

**NOTE 3 – CAPITAL ASSETS**

The following is a summary of capital asset transactions for the Corporation for the year ended June 30, 2014 and 2013:

	2014			Ending Balance
	Beginning Balance*	Additions	Reductions	
Capital Assets being depreciated:				
Computer Equipment	\$239,264	\$-	\$-	\$239,264
Furniture and Fixtures	16,072	-	-	16,072
Leasehold Improvements	11,550	-	-	11,550
Total Capital Assets	<u>266,886</u>	<u>-</u>	<u>-</u>	<u>266,886</u>
Less Accumulated depreciation for:				
Computer Equipment	(232,552)	(1,893)	-	(234,445)
Furniture and Fixtures	(12,059)	-	-	(12,059)
Leasehold Improvements	(5,406)	(1,283)	-	(6,689)
Total Accumulated Depreciation	<u>(250,017)</u>	<u>(3,176)</u>	<u>-</u>	<u>(253,193)</u>
Capital Assets, Net	<u>\$16,869</u>	<u>(\$3,176)</u>	<u>\$-</u>	<u>\$13,693</u>

\*Certain reclassifications have been made to beginning balances. These reclassifications had no effect on net position.



PUBLIC DEFENDER CORPORATION  
FOR THE TWENTY-THIRD JUDICIAL CIRCUIT  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2014 AND 2013

**NOTE 3 – CAPITAL ASSETS (Continued)**

	2013			
	Beginning Balance	Additions*	Reductions	Ending Balance*
Capital Assets being depreciated:				
Computer Equipment	\$235,097	\$4,167	\$-	\$239,264
Furniture and Fixtures	12,059	4,013	-	16,072
Leasehold Improvements	11,550	-	-	11,550
Total Capital Assets	<u>258,706</u>	<u>8,180</u>	<u>-</u>	<u>266,886</u>
Less Accumulated depreciation for:				
Computer Equipment	(230,101)	(2,451)	-	(232,552)
Furniture and Fixtures	(12,059)	-	-	(12,059)
Leasehold Improvements	(4,123)	(1,283)	-	(5,406)
Total Accumulated Depreciation	<u>(246,283)</u>	<u>(3,734)</u>	<u>-</u>	<u>(250,017)</u>
Capital Assets, Net	<u>\$12,423</u>	<u>\$4,446</u>	<u>\$-</u>	<u>\$16,869</u>

\*Certain reclassifications have been made between line items and ending balances. These reclassifications had no effect on net position.

**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.

PUBLIC DEFENDER CORPORATION  
FOR THE TWENTY-THIRD JUDICIAL CIRCUIT  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2014 AND 2013

**NOTE 4 - DEFINED BENEFIT RETIREMENT PLAN (Continued)**

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 19.0% of annual covered payroll, including the Corporation's contribution of 14.5% which is established by PERS.

Total contributions to PERS for the years ended June 30, 2014 and 2013 were \$289,929 and \$279,784, respectively, which consisted of \$221,262 and \$211,724 from the Corporation and \$68,667 and \$68,060 from the covered employees, respectively.

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, 2014 and 2013, 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 national financial institution. The accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. Additionally, the financial institution has provided collateral in the form of government securities to secure deposits in excess of \$250,000. The Corporation's bank balance at June 30, 2014 and 2013 was \$473,668 and \$842,944, 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.

PUBLIC DEFENDER CORPORATION  
FOR THE TWENTY-THIRD JUDICIAL CIRCUIT  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 6 – LONG TERM LIABILITIES**

The following is a summary of long term obligation transactions for the Corporation for the years ended June 30, 2014 and 2013:

	2014				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Long term liabilities:					
Other post-employment benefit liability	\$ 387,596	\$17,031	\$56,811	\$ 347,816	\$-
Compensated absences	<u>136,937</u>	<u>15,342</u>	<u>8,042</u>	<u>144,237</u>	<u>144,237</u>
Total long term liabilities	<u>\$ 524,533</u>	<u>\$32,373</u>	<u>\$64,853</u>	<u>\$ 492,053</u>	<u>\$144,237</u>

	2013				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Long term liabilities:					
Other post-employment benefit liability	\$ 685,127	\$ 20,461	\$317,992	\$ 387,596	\$-
Compensated absences	<u>125,841</u>	<u>34,762</u>	<u>23,666</u>	<u>136,937</u>	<u>136,937</u>
Total long term liabilities	<u>\$ 810,968</u>	<u>\$ 55,223</u>	<u>\$341,658</u>	<u>\$ 524,533</u>	<u>\$136,937</u>

PUBLIC DEFENDER CORPORATION  
 FOR THE TWENTY-THIRD JUDICIAL CIRCUIT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEARS ENDED JUNE 30, 2014 AND 2013

**NOTE 7 – OPERATING LEASE OBLIGATIONS**

The Corporation leases facilities under operating lease agreements. Aggregate payments under these agreements were \$124,800 for the years ended June 30, 2014 and 2013. Future minimum rental commitments are as follows:

<u>Year ended June 30,</u>	<u>Carles Town Office</u> <u>Amount</u>
2015	\$ 38,400
2016	38,400
2017	38,400
2018	38,400
2019	12,800
	<u>\$ 166,400</u>

The lease for the Martinsburg Office expired June 30, 2012. Terms of a new lease have not been determined at this time.

**NOTE 8 – CONTINGENCIES**

The Corporation is on a reimbursement plan with the State of West Virginia, WorkforceWV, 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, 2014 and 2013, the Corporation held cash and cash equivalents of \$445,309 and \$471,342, 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 budget necessary to fund the Corporation's normal operating activities.

PUBLIC DEFENDER CORPORATION  
FOR THE TWENTY-THIRD JUDICIAL CIRCUIT  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 10 – SUBSEQUENT EVENTS**

Management evaluated subsequent events through November 28, 2014, the date the financial statements were available to be issued.



# 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 Twenty-Third Judicial Circuit  
Martinsburg, West Virginia

Our report on our audit of the basic financial statements of the Public Defender Corporation for the Twenty-Third Judicial Circuit for the year ended June 30, 2014 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.  
Huntington, West Virginia  
November 28, 2014

PUBLIC DEFENDER CORPORATION  
 FOR THE TWENTY-THIRD JUDICIAL CIRCUIT  
 SCHEDULE OF BUDGET TO ACTUAL EXPENSES - CASH BASIS  
 YEAR ENDED JUNE 30, 2014

	<u>Budget</u>	<u>Actual</u>	Under/(Over) Budget to <u>Actual</u>
Personal services	\$ 1,619,923	\$ 1,619,483	\$ 440
Employee benefits	633,263	559,679	73,584
Support services	151,200	137,978	13,222
Administrative services	55,145	38,021	17,124
Office	224,234	190,809	33,425
Other	13,000	3,192	9,808
Acquisitions	<u>37,960</u>	<u>32,419</u>	<u>5,541</u>
 Total	 <u>\$ 2,734,725</u>	 <u>\$ 2,581,581</u>	 <u>\$ 153,144</u>



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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 Twenty-Third Judicial Circuit  
Martinsburg, West Virginia

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 Twenty-Third Judicial Circuit (the "Corporation"), a component unit of the State of West Virginia, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated November 28, 2014.

#### **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.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
Huntington, West Virginia  
November 28, 2014