

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

**FINANCIAL STATEMENTS  
WITH ADDITIONAL INFORMATION**

**YEARS ENDED JUNE 30, 2010 AND 2009  
WITH  
INDEPENDENT AUDITORS' REPORT**

PUBLIC DEFENDER CORPORATION  
FOR THE FIRST JUDICIAL CIRCUIT  
YEARS ENDED JUNE 30, 2010 AND 2009

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## INDEPENDENT AUDITORS' REPORT

Honorable Members of the Board  
Public Defender Corporation  
for the First Judicial Circuit  
Wheeling, West Virginia

We have audited the basic financial statements of the Public Defender Corporation for the First Judicial Circuit (the "Corporation"), a component unit of the State of West Virginia as of and for the years ended, June 30, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2010 and 2009, and the changes in the financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 5 through 7 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. This supplementary information is the responsibility of the Corporation's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2010, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in cursive script that reads "Seattle & Stalnak, PLLC".

Charleston, West Virginia  
September 28, 2010

PUBLIC DEFENDER CORPORATION  
FOR THE FIRST JUDICIAL CIRCUIT  
MANAGEMENT'S DISCUSSION & ANALYSIS  
YEARS ENDED JUNE 30, 2010 AND 2009

This discussion and analysis of the Public Defender Corporation of the First 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, 2010 and 2009, 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 assets*, the *statements of revenues, expenses and changes in net assets*, the *statements of cash flows* and the notes to the financial statements.

The *statement of net assets* presents the Corporation's assets, liabilities and net assets 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 assets 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 assets* 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.

### Financial Analysis of the Corporation

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Assets			
Capital assets	\$ 90,040	\$ 4,401	\$ 6,043
Other assets	<u>238,156</u>	<u>189,704</u>	<u>139,771</u>
Total assets	<u>\$ 328,196</u>	<u>\$ 194,105</u>	<u>\$ 145,814</u>
Liabilities			
Long-term liabilities	\$ 236,083	\$ 51,654	\$ 20,805
Short-term liabilities	<u>96,826</u>	<u>71,968</u>	<u>58,132</u>
Total liabilities	<u>332,909</u>	<u>123,622</u>	<u>78,937</u>
Net Assets (Deficit)			
Invested in capital assets, net of related debt	21,502	4,401	6,043
Unrestricted (deficit)	<u>(26,215)</u>	<u>66,082</u>	<u>60,834</u>
Total liabilities and net assets	<u>\$ 328,196</u>	<u>\$ 194,105</u>	<u>\$ 145,814</u>

PUBLIC DEFENDER CORPORATION  
FOR THE FIRST JUDICIAL CIRCUIT  
MANAGEMENT'S DISCUSSION & ANALYSIS  
YEARS ENDED JUNE 30, 2010 AND 2009

The Corporation's revenues are primarily 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, 2010, 2009 and 2008.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating revenue	\$ 1,093,814	\$ 1,063,418	\$ 890,961
Operating expenses	<u>1,166,519</u>	<u>1,059,986</u>	<u>959,189</u>
Operating gain (loss)	(72,705)	3,432	(68,228)
Nonoperating revenue	189	174	17,497
Nonoperating expense	<u>2,680</u>	<u>-</u>	<u>-</u>
Change in net assets	(75,196)	3,606	(50,731)
Net assets at beginning of year	<u>70,483</u>	<u>66,877</u>	<u>117,608</u>
Net assets (deficit) at end of year	<u>\$ (4,713)</u>	<u>\$ 70,483</u>	<u>\$ 66,877</u>

### Detailed Financial Analysis of the Corporation

Cash held by the Corporation increased by approximately \$49,000 due to unexpended funds not used to pay the other post employment benefit liability. Total capital assets increased by approximately \$88,000 due to the purchase of a new building and land for the Weirton location. Other post employment benefit liability, included in long term post employment benefit liabilities, increased by approximately \$116,000 due to an increase in the rate charged by the Retiree Health Benefit Trust (RHBT) fund and a reduction in the amount of contribution of on-behalf revenue by the State of West Virginia. Long term debt, net of current portion increased by approximately \$69,000 due to the purchase of a new building and land for the Weirton location. All other assets and liabilities remained consistent with the two periods.

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

Operating expenses for the fiscal year increased by approximately \$107,000. This increase is attributable to an increase in employee benefits expense of approximately \$109,000. This increase is due to an increase in the rate charged by the RHBT trust fund for other post employment benefit expense from the previous year. All other expenses remained consistent with the prior fiscal year.

### Capital Asset and Debt Activity

As of June 30, 2010, 2009 and 2008, the Corporation had capital assets amounting to approximately \$229,000, \$141,000 and \$141,000, respectively. The Corporation's capital assets include a building, land, furniture, fixtures and computer equipment. The assets were being depreciated over useful lives of three to thirty-nine years. The accumulated depreciation on the assets amounted to approximately \$139,000, \$137,000 and \$135,000, respectively. There were no disposals during the current year.

PUBLIC DEFENDER CORPORATION  
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MANAGEMENT'S DISCUSSION & ANALYSIS  
YEARS ENDED JUNE 30, 2010 AND 2009

Purchases of capital assets for the years ended June 30, 2010, 2009 and 2008 totaled approximately \$88,000, \$-0- and \$-0-, respectively.

During 2009 the Corporation signed a promissory note for \$78,000 at 6% to purchase land and a building to house the Weirton office. Repayment is to occur over 120 months beginning January 2010 at \$866 per month including interest, to be paid in full December 2019. Prepayment must be agreed upon in writing by both parties of the agreement. Total payments including interest in 2010 amounted to approximately \$6,000.

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 .10%. Interest earned on the accounts for the years ended June 30, 2010, 2009 and 2008 amounted to approximately \$190, \$170 and \$130, 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, 2011. 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, 2011, the Corporation has an approved budget of \$1,200,946 This represents a budget increase of approximately \$107,000 from the prior year. This increase is attributable to salary increases and an increase in the rate charged by the RHBT Fund for other post employment benefit liability. All other 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 PO Box 347, 505 Board of Trade Building, 80 12<sup>th</sup> St, Wheeling WV, 26003.

PUBLIC DEFENDER CORPORATION  
FOR THE FIRST JUDICIAL CIRCUIT  
STATEMENTS OF NET ASSETS (DEFICIT)  
JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 232,246	\$ 182,972
Prepaid Expenses	5,910	6,732
Total current assets	<u>238,156</u>	<u>189,704</u>
Capital assets		
Land	17,600	-
Building	70,400	-
Computer Equipment	52,114	52,114
Furniture and fixtures	89,224	89,224
	<u>229,338</u>	<u>141,338</u>
Less accumulated depreciation	<u>(139,298)</u>	<u>(136,937)</u>
Capital assets, net	<u>90,040</u>	<u>4,401</u>
Total assets	<u>328,196</u>	<u>194,105</u>
 <b>LIABILITIES</b>		
Current liabilities		
Accounts payable	2,315	2,206
Accrued expenses	29,251	21,156
Compensated absences	59,180	48,606
Current portion of long term debt	6,080	-
Total current liabilities	<u>96,826</u>	<u>71,968</u>
Long term liabilities		
Long term debt, net of current portion	68,538	-
Other post employment benefit liability	167,545	51,654
Total long term liabilities	<u>236,083</u>	<u>51,654</u>
Total liabilities	<u>332,909</u>	<u>123,622</u>
 <b>NET ASSETS (DEFICIT)</b>		
Invested in capital assets, net of related debt	21,502	4,401
Unrestricted (deficit)	<u>(26,215)</u>	<u>66,082</u>
Total net assets (deficit)	<u>\$ (4,713)</u>	<u>\$ 70,483</u>

The Accompanying Notes Are An Integral  
Part Of These Financial Statements



PUBLIC DEFENDER CORPORATION  
FOR THE FIRST JUDICIAL CIRCUIT  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (DEFICIT)  
YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Operating revenues		
West Virginia Public Defender Services Grant Revenue	\$ 1,093,814	\$ 1,063,418
Total operating revenues	<u>1,093,814</u>	<u>1,063,418</u>
Operating expenses		
Personal services	685,007	650,648
Employee benefits	358,039	249,414
Support services	10,600	53,668
Administrative support	22,457	21,558
Office	70,988	72,542
Other	4,401	4,631
Acquisition	12,666	5,883
Depreciation	2,361	1,642
Total operating expenses	<u>1,166,519</u>	<u>1,059,986</u>
Operating gain (loss)	(72,705)	3,432
Nonoperating revenues		
Interest income	189	174
Interest expense	(2,680)	-
Total nonoperating revenues	<u>(2,491)</u>	<u>174</u>
CHANGE IN NET ASSETS	(75,196)	3,606
Net assets, beginning of year	<u>70,483</u>	<u>66,877</u>
Net assets (deficit), end of year	<u>\$ (4,713)</u>	<u>\$ 70,483</u>

PUBLIC DEFENDER CORPORATION  
FOR THE FIRST JUDICIAL CIRCUIT  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2010 AND 2009

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	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Cash received from grants	\$ 1,093,814	\$ 1,063,418
Cash paid for expenses	<u>(1,028,667)</u>	<u>(1,017,175)</u>
Net cash provided (used) by operating activities	<u>65,147</u>	<u>46,243</u>
Cash flows from investing activities		
Cash received as interest	189	174
Cash paid as interest	(2,680)	-
Cash purchases of property and equipment	<u>(10,000)</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>(12,491)</u>	<u>174</u>
Cash flows from financing activities		
Cash payments on long term debt	<u>(3,382)</u>	<u>-</u>
Net cash provided (used) by financing activities	<u>(3,382)</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	49,274	46,417
Cash and cash equivalents, beginning of year	<u>182,972</u>	<u>136,555</u>
Cash and cash equivalents, end of year	<u>\$ 232,246</u>	<u>\$ 182,972</u>
Reconciliation of operating gain (loss) to net cash provided (used) by operating activities:		
Operating gain (loss)	<u>\$ (72,705)</u>	<u>\$ 3,432</u>
Adjustments:		
Depreciation	2,361	1,642
Decrease (increase) in operating assets		
Other assets	822	(3,516)
Increase (decrease) in operating liabilities		
Accounts payable	109	(184)
Accrued expenses	8,095	6,284
Compensated absences	10,574	7,736
Other post employment benefit liability	<u>115,891</u>	<u>30,849</u>
Total adjustments	<u>137,852</u>	<u>42,811</u>
Net cash provided (used) by operating activities	<u>\$ 65,147</u>	<u>\$ 46,243</u>
Supplemental Schedule of Non-Cash Financing Activities		
Purchases of property and equipment financed with debt	<u>\$ 78,000</u>	<u>\$ -</u>

The Accompanying Notes Are An Integral  
Part Of These Financial Statements

PUBLIC DEFENDER CORPORATION  
FOR THE FIRST JUDICIAL CIRCUIT  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2010 AND 2009

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NOTE 1 - ORGANIZATION

The Public Defender Corporation for the First 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 73% of the Corporation's revenues are utilized for program related purposes and 27% are for management and general purposes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Corporation have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB"), including Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The financial statement presentation required by GASB Statements No. 34 provides a comprehensive, entity-wide perspective of the Corporation's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows.

The Corporation follows all GASB pronouncements as well as Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, and has elected not to apply the FASB Statements and Interpretations issued after November 30, 1989, to its financial statements.

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 a 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.

PUBLIC DEFENDER CORPORATION  
FOR THE FIRST JUDICIAL CIRCUIT  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2010 AND 2009

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

As required by GASB 34, the Corporation displays net assets in three components, if applicable: invested in capital assets, net of related debt; restricted, and unrestricted:

Invested in capital assets, net of related debt

This represents the Corporation's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets

Restricted net assets are assets whose use or availability has been restricted and the restrictions limit the Corporation's ability to use the resources to pay current liabilities. When both restricted and unrestricted resources are available for use, it is the Corporation's policy to use restricted resources first, then unrestricted resources as needed.

Unrestricted net assets

Unrestricted net assets represent resources derived from state appropriations. These resources are used for transactions relating to the providing of legal assistance to indigent persons, at no cost, who would otherwise be unable to afford adequate legal counsel, and may be used at the discretion of the board of directors to meet current expenses for any purposes.

Basis of Accounting

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

Cash and Cash Equivalents

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

PUBLIC DEFENDER CORPORATION  
FOR THE FIRST JUDICIAL CIRCUIT  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2010 AND 2009

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets include a building, land, furniture 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 thirty-nine years. The Corporation's capitalization threshold is \$1,000. Depreciation expense for the years ended June 30, 2010 and 2009 was \$2,361 and \$1,642, 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 provided 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 10 years of full-time employment during any continuous 10-year period, earn 20 days per year, and employees with more than 10 years of full-time employment during any continuous period of 10 years or more, earn 25 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 FIRST JUDICIAL CIRCUIT  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2010 AND 2009

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Also, the Corporation grants sick leave based on time worked. Full-time employees earn 20 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 assets. OPEB costs are accrued based upon invoices received from RHBT Trust Fund based upon actuarial determined amounts. At June 30, 2010 and 2009, the noncurrent liability related to OPEB cost was \$167,545 and \$51,654, respectfully. The total OPEB expense incurred was \$137,099 and \$53,574, respectfully which is included as a component of employee benefit expense. As of the years ended June 30, 2010 and 2009, 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 \$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 can begin 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  
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NOTES TO THE FINANCIAL STATEMENTS  
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.
- 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.

Subsequent Events

In preparing these financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through September 28, 2010, the date the financial statements were issued.

PUBLIC DEFENDER CORPORATION  
FOR THE FIRST JUDICIAL CIRCUIT  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2010 AND 2009

NOTE 3 - CAPITAL ASSETS

The following is a summary of capital asset transactions for the Corporation for the year ended June 30, 2010 and 2009:

	2010			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ -	\$ 17,600	\$ -	\$ 17,600
Capital assets being depreciated:				
Buildings	-	70,400	-	70,400
Computer equipment	52,114	-	-	52,114
Furniture and fixtures	<u>89,224</u>	<u>-</u>	<u>-</u>	<u>89,224</u>
Total capital assets	<u>141,338</u>	<u>88,000</u>	<u>-</u>	<u>229,338</u>
Less accumulated depreciation for:				
Buildings	-	(1,130)	-	(1,130)
Computer equipment	(50,107)	(1,004)	-	(51,111)
Furniture and fixtures	<u>(86,830)</u>	<u>(227)</u>	<u>-</u>	<u>(87,057)</u>
Total accumulated depreciation	<u>(136,937)</u>	<u>(2,361)</u>	<u>-</u>	<u>(139,298)</u>
Capital assets, net	<u>\$ 4,401</u>	<u>\$ 85,639</u>	<u>\$ -</u>	<u>\$ 90,040</u>
	2009			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets being depreciated:				
Computer equipment	\$ 52,114	\$ -	\$ -	\$ 52,114
Furniture and fixtures	<u>89,224</u>	<u>-</u>	<u>-</u>	<u>89,224</u>
Total capital assets	<u>141,338</u>	<u>-</u>	<u>-</u>	<u>141,338</u>
Less accumulated depreciation for:				
Computer equipment	(48,693)	(1,414)	-	(50,107)
Furniture and fixtures	<u>(86,602)</u>	<u>(228)</u>	<u>-</u>	<u>(86,830)</u>
Total accumulated depreciation	<u>(135,295)</u>	<u>(1,642)</u>	<u>-</u>	<u>(136,937)</u>
Capital assets, net	<u>\$ 6,043</u>	<u>\$ (1,642)</u>	<u>\$ -</u>	<u>\$ 4,401</u>



PUBLIC DEFENDER CORPORATION  
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NOTES TO THE FINANCIAL STATEMENTS  
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NOTE 4 - DEFINED CONTRIBUTION RETIREMENT PLAN

The Corporation contributes to the West Virginia Public Employees' Retirement System (PERS), a cost-sharing multiple-employer defined 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 15.5% of annual covered payroll, including the Corporation's contribution of 11% which is established by PERS. Effective July 1, 2010, an increase in the contribution rate of 1.5% will raise the Corporation's contribution rate to 12.5%. Total contributions to PERS for the years ended June 30, 2010, 2009, and 2008 were \$105,568, \$91,044 and \$86,899, respectively, which consisted of \$74,919, \$63,730 and \$60,829 from the Corporation and \$30,649, \$27,313 and \$26,070 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, 2010 and 2009, the Corporation did not authorize the employer portion of any buy-backs for Plan participants.

PUBLIC DEFENDER CORPORATION  
FOR THE FIRST JUDICIAL CIRCUIT  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2010 AND 2009

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NOTE 5 - CONCENTRATIONS

The Corporation maintains its account balances in a local financial institution. The accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 and insured by collateral held by the bank for another \$200,000, for a total of \$450,000 insured. The Corporation's bank balance at June 30, 2010 and 2009 was \$241,319 and \$192,985, 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, 2010 and 2009:

	2010				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long term liabilities:					
Note Payable to Anthony and Robin Viola, due in 120 installments of \$866, including interest at an annual rate of 6%, secured by land and building.	\$ -	\$ 78,000	\$ 3,382	\$ 74,618	\$ 6,080
Other post employment benefit liability	51,654	137,099	21,208	167,545	-
Compensated absences	<u>48,606</u>	<u>10,574</u>	<u>-</u>	<u>59,180</u>	<u>59,180</u>
Total long term liabilities	<u>\$ 100,260</u>	<u>\$ 225,673</u>	<u>\$ 24,590</u>	<u>\$ 301,343</u>	<u>\$ 65,260</u>
	2009				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long term liabilities:					
Other post employment benefit liability	\$ 20,805	\$ 53,574	\$ 22,725	\$ 51,654	\$ -
Compensated absences	<u>40,870</u>	<u>7,736</u>	<u>-</u>	<u>48,606</u>	<u>48,606</u>
Total long term liabilities	<u>\$ 61,675</u>	<u>\$ 61,310</u>	<u>\$ 22,725</u>	<u>\$ 100,260</u>	<u>\$ 48,606</u>

PUBLIC DEFENDER CORPORATION  
 FOR THE FIRST JUDICIAL CIRCUIT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEARS ENDED JUNE 30, 2010 AND 2009

NOTE 6 - LONG TERM LIABILITIES (Continued)

The organization's maturities of notes payable for the next five years and thereafter are as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2011	\$ 6,080
2012	6,455
2013	6,853
2014	7,276
2015	7,724
Thereafter	<u>40,230</u>
Total	<u>\$ 74,618</u>

NOTE 7 - OPERATING LEASE OBLIGATIONS

The Corporation leases copiers and a facility under operating lease agreements. Aggregate payments under these agreements were \$29,867 and \$34,589 for the years ended June 30, 2010 and 2009. Future minimum rental commitments are as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2011	\$ 21,280
2012	<u>21,006</u>
	<u>\$ 42,286</u>

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.

PUBLIC DEFENDER CORPORATION  
FOR THE FIRST JUDICIAL CIRCUIT  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2010 AND 2009

NOTE 8 - CONTINGENCIES (Continued)

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, 2010 and 2009, the Corporation held cash and cash equivalents of \$232,246 and \$182,972, 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.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

Honorable Members of the Board  
Public Defender Corporation  
for the First Judicial Circuit  
Wheeling, West Virginia

We have audited the basic financial statements of the Public Defender Corporation for the First Judicial Circuit (the "Corporation") as of and for the year ended June 30, 2010, and have issued our report thereon dated September 28, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the Corporation in a separate letter dated September 28, 2010.

This report is intended solely for the information and use of the Public Defender Corporation for the First Judicial Circuit Board of Directors, management of the Corporation, West Virginia Public Defender Corporation, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in cursive script that reads "Seattle & Stalaker, PLLC".

Charleston, West Virginia  
September 28, 2010

## ADDITIONAL INFORMATION



INDEPENDENT AUDITORS' REPORT  
ON ADDITIONAL INFORMATION

Honorable Members of the Board  
Public Defender Corporation  
for the First Judicial Circuit  
Wheeling, West Virginia

Our report on our audit of the basic financial statements of the Public Defender Corporation for the First Judicial Circuit for the year ended June 30, 2010 appears on pages 3 and 4. 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 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads 'Suttle &amp; Stalnaker, PLLC'.

Charleston, West Virginia  
September 28, 2010

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PUBLIC DEFENDER CORPORATION  
 FOR THE FIRST JUDICIAL CIRCUIT  
 SCHEDULE OF BUDGET TO ACTUAL EXPENSES - CASH BASIS  
 YEAR ENDED JUNE 30, 2010

	<u>Budget</u>	<u>Actual</u>	Under/(Over) Budget to <u>Actual</u>
Personal services	\$ 674,295	\$ 666,338	\$ 7,957
Employee benefits	263,565	242,148	21,417
Support services	18,627	10,600	8,027
Administrative services	24,355	22,348	2,007
Office	83,367	70,166	13,201
Other	5,650	4,401	1,249
Acquisitions	<u>23,955</u>	<u>12,666</u>	<u>11,289</u>
 Total	 <u><u>\$ 1,093,814</u></u>	 <u><u>\$ 1,028,667</u></u>	 <u><u>\$ 65,147</u></u>