



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 EIGHTH 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 EIGHTH 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
Eighth Judicial Circuit
Welch, 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 Eighth 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 Eighth 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. 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 13, 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 13, 2013

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

This discussion and analysis of the Public Defender Corporation of the Eighth 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, 2012, and 2011 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.

Financial Analysis of the Corporation

| | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|------------------------------------|-------------------------|--------------------------|--------------------------|
| Assets | | | |
| Capital assets | \$ 3,769 | \$ 5,943 | \$ 8,642 |
| Other assets | <u>80,525</u> | <u>140,106</u> | <u>93,489</u> |
| Total assets | <u><u>84,294</u></u> | <u><u>146,049</u></u> | <u><u>102,131</u></u> |
| Liabilities | | | |
| Short-term liabilities | <u>51,695</u> | <u>52,789</u> | <u>56,776</u> |
| Total liabilities | <u>51,695</u> | <u>52,789</u> | <u>56,776</u> |
| Net Position | | | |
| Net investment in capital assets | 3,769 | 5,943 | 8,642 |
| Unrestricted | <u>28,830</u> | <u>87,317</u> | <u>36,713</u> |
| Total liabilities and net position | <u><u>\$ 84,294</u></u> | <u><u>\$ 146,049</u></u> | <u><u>\$ 102,131</u></u> |

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

The Corporation's revenues are derived from funding from West Virginia Public Defender Services (WVPDS) and accordingly 99% of the Corporation's revenues were derived from this funding for the years ended June 30, 2013, 2012 and 2011.

| | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|-----------------------------------|------------------|------------------|------------------|
| Operating revenue | \$ 350,000 | \$ 459,321 | \$ 347,715 |
| Operating expenses | <u>411,126</u> | <u>412,228</u> | <u>417,159</u> |
| Operating gain (loss) | <u>(61,126)</u> | <u>47,093</u> | <u>(69,444)</u> |
| | | | |
| Nonoperating revenue | <u>465</u> | <u>812</u> | <u>1,748</u> |
| Change in net position | <u>(60,661)</u> | <u>47,905</u> | <u>(67,696)</u> |
| | | | |
| Net position at beginning of year | <u>93,260</u> | <u>45,355</u> | <u>113,051</u> |
| Net position at end of year | <u>\$ 32,599</u> | <u>\$ 93,260</u> | <u>\$ 45,355</u> |

Detailed Financial Analysis of the Corporation

Cash held by the Corporation decreased by approximately \$60,000 as a result of an decrease in funding from the WVPDS. All other assets and liabilities remained fairly consistent with the two prior periods.

Operating revenue for the fiscal year decreased by approximately \$109,000, due to decreased funding from WVPDS.

Operating expenses for the fiscal year remained fairly constant. There was a small decrease in personal services and employee benefits. The amount that was required by the Corporation to be contributed to the pension system was lower than the previous year. 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 \$53,000, \$53,000, and \$53,000, respectively. The Corporation's capital assets include furniture and fixtures and computer equipment. The assets are being depreciated over useful lives of three to ten years. The accumulated depreciation on the assets amounted to approximately \$50,000, \$48,000 and \$45,000, respectively. There were no disposals during the current year.

Purchases of capital assets for the years ended June 30, 2013, 2012, and 2011 totaled approximately \$0, \$0, and \$3,000, respectively.

The Corporation has no long term debt. More detailed information is presented in the notes to the financial statements.

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

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 1.0% below the federal fund rate. This amount was equal to approximately 1.0% for all three years. Interest earned on the accounts for the years ended June 30, 2013, 2012 and 2011 amounted to approximately \$500, \$800, and \$1,700, 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, 2014. 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, 2014, the Corporation had an approved budget of \$457,897. This amount was the same budget from the prior year. 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 30 McDowell Street, Welch, WV, 24801.

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

| | <u>2013</u> | <u>2012</u> |
|----------------------------------|-------------|-------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 79,802 | \$ 139,348 |
| Other assets | 723 | 758 |
| Total current assets | 80,525 | 140,106 |
| Capital assets | | |
| Furniture and fixtures | 20,190 | 20,190 |
| Computer Equipment | 33,274 | 33,274 |
| | 53,464 | 53,464 |
| Less accumulated depreciation | (49,695) | (47,521) |
| Capital assets, net | 3,769 | 5,943 |
| Total assets | \$ 84,294 | \$ 146,049 |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | \$ 6,841 | \$ 8,336 |
| Accrued expenses | 8,211 | 8,082 |
| Compensated absences | 36,643 | 36,371 |
| Total liabilities | 51,695 | 52,789 |
| NET POSITION | | |
| Net Investment in Capital Assets | 3,769 | 5,943 |
| Unrestricted | 28,830 | 87,317 |
| Total net position | \$ 32,599 | \$ 93,260 |

The Accompanying Notes Are An Integral Part Of These Financial Statements

PUBLIC DEFENDER CORPORATION
FOR THE EIGHTH 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 | \$ 350,000 | \$ 459,321 |
| Total operating revenues | 350,000 | 459,321 |
| Operating expenses | | |
| Personal services | 288,743 | 291,808 |
| Employee benefits | 74,610 | 75,461 |
| Support services | 15,387 | 13,161 |
| Administrative support | 4,427 | 3,997 |
| Office | 24,808 | 23,379 |
| Other | 69 | 173 |
| Acquisition | 908 | 1,550 |
| Depreciation | 2,174 | 2,699 |
| Total operating expenses | 411,126 | 412,228 |
| Operating gain (loss) | (61,126) | 47,093 |
| Nonoperating revenues | | |
| Interest income | 465 | 812 |
| Total nonoperating revenues | 465 | 812 |
| CHANGE IN NET POSITION | (60,661) | 47,905 |
| Net position, beginning of year | 93,260 | 45,355 |
| Net position, end of year | \$ 32,599 | \$ 93,260 |

The Accompanying Notes Are An Integral Part Of These Financial Statements

PUBLIC DEFENDER CORPORATION
FOR THE EIGHTH 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 | \$ 350,000 | \$ 461,529 |
| Cash paid to suppliers for goods and services | (46,257) | (42,700) |
| Cash paid to employees | (363,754) | (370,816) |
| Net cash provided (used) by operating activities | <u>(60,011)</u> | <u>48,013</u> |
| Cash flows from investing activities | | |
| Cash received as interest | 465 | 812 |
| Net cash provided (used) by investing activities | <u>465</u> | <u>812</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (59,546) | 48,825 |
| Cash and cash equivalents, beginning of year | <u>139,348</u> | <u>90,523</u> |
| Cash and cash equivalents, end of year | <u>\$ 79,802</u> | <u>\$ 139,348</u> |
| Reconciliation of operating income/(loss) to net cash provided (used) by operating activities: | | |
| Operating gain (loss) | \$ (61,126) | \$ 47,093 |
| Adjustments: | | |
| Depreciation | 2,174 | 2,699 |
| Decrease (increase) in operating assets | | |
| Other assets | 35 | 2,208 |
| Increase (decrease) in operating liability | | |
| Accrued expenses | 129 | (6,970) |
| Compensated absences | 272 | 3,423 |
| Accounts payable | (1,495) | (440) |
| Total adjustments | <u>1,115</u> | <u>920</u> |
| Net cash provided (used) by operating activities | <u>\$ (60,011)</u> | <u>\$ 48,013</u> |

The Accompanying Notes Are An Integral Part Of These Financial Statements

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

NOTE 1 - ORGANIZATION

The Public Defender Corporation for the Eighth 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 89% of the Corporation's revenues are utilized for program related purposes and 11% 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, revenues, expenses, changes in net position and cash flows.

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.

Financial Statement Presentation

As required by GASB 34, the Corporation displays net position in three components, if applicable: net investment in capital asset; restricted, and unrestricted:

Net investment in capital assets.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted net position

Restricted net position 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 position

Unrestricted net position represent resources derived from state appropriations. These resources are used for transactions related 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 purpose.

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.

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 property, plant, and 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 \$2,174 and \$2,699, respectively.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences and Other Post Employment Benefits (OPEB)

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 18 days per year, employees with 10 years, but less than 15 years of full-time employment during any continuous 10-year period earn 21 days, and employees with more than 15 years of full-time employment during any continuous period of 15 years or more, earn 24 days per year.

Employees with less than 10 years of employment vest in a maximum of 30 days of unused vacation leave which is paid at the time of separation from employment. Employees with 10 years, but less than 15 years of full-time employment vest a maximum of 35 days and employees with more than 15 years of full-time employment or more vest a maximum of 40 unused vacation days.

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 estimated expense and expense incurred for the vacation leave is recorded as a component of employee benefits expense on the statement of revenues, expenses and changes in net position.

The Corporation has no postemployment benefits under GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* with using Blue Cross/Blue Shield for its health coverage and not participating in PEIA.

Risk Management

The Corporation has obtained general, property, casualty and liability coverage for itself and its employees through third party insurance companies. 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 Blue Cross/Blue Shield, 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 Blue Cross/Blue Shield, the Corporation has transferred its risks related to health, life, prescription drug coverage, and job related injuries.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.
- 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.

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

NOTE 3 - CAPITAL ASSETS

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

| | 2013 | | | |
|------------------------------------|----------------------|------------|------------|-------------------|
| | Beginning Balance | Additions | Reductions | Ending Balance |
| Capital assets being depreciated: | | | | |
| Computer Equipment | \$ 33,274 | \$ - | \$ - | \$ 33,274 |
| Furniture and fixtures | 20,190 | - | - | 20,190 |
| Total capital assets | 53,464 | - | - | 53,464 |
| Less accumulated depreciation for: | | | | |
| Computer equipment | (28,410) | (1,799) | - | (30,209) |
| Furniture and fixtures | (19,111) | (375) | - | (19,486) |
| Total accumulated depreciation | (47,521) | (2,174) | - | (49,695) |
| Capital assets, net | \$ 5,943 | \$ (2,174) | \$ - | \$ 3,769 |
| | | | | |
| | 2012 | | | |
| | Beginning Balance | Additions | Reductions | Ending Balance |
| Capital assets being depreciated: | | | | |
| Computer Equipment | \$ 33,274 | | \$ - | \$ 33,274 |
| Furniture and fixtures | 20,190 | - | - | 20,190 |
| Total capital assets | 53,464 | - | - | 53,464 |
| Less accumulated depreciation for: | | | | |
| Computer equipment | (26,405) | (2,005) | - | (28,410) |
| Furniture and fixtures | (18,417) | (694) | - | (19,111) |
| Total accumulated depreciation | (44,822) | (2,699) | - | (47,521) |
| Capital assets, net | \$ 8,642 | \$ (2,699) | \$ - | \$ 5,943 |

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

NOTE 4 - DEFINED CONTRIBUTION 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 14.0% which is established by PERS. Effective July 1, 2013, an increase in the contribution rate of .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 \$52,694, \$54,118 and \$47,741, respectively, which consisted of \$39,876, \$41,301 and \$35,104 from the Corporation and \$12,818, \$12,817 and \$12,637 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, 2013 and 2012, the Corporation did not authorize the employer portion of any buy-backs for Plan participants.

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

NOTE 5 - CONCENTRATIONS

The Corporation maintains its account balances in a local financial institution. The account is insured by the Federal Deposit Insurance Corporation up to \$250,000. The Corporation's bank balance at June 30, 2013 and 2012 was \$85,426 and \$141,318, 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 Balance | Additions | Redemptions | Ending Balance | Current Portion |
| Long-term liabilities: | | | | | |
| Compensated absences | \$ 36,371 | \$ 272 | \$ - | \$ 36,643 | \$ 36,643 |
| Total long-term liabilities | \$ 36,371 | \$ 272 | \$ - | \$ 36,643 | \$ 36,643 |

| | 2012 | | | | |
|-----------------------------|----------------------|-----------|-------------|-------------------|--------------------|
| | Beginning Balance | Additions | Redemptions | Ending Balance | Current Portion |
| Long-term liabilities: | | | | | |
| Compensated absences | \$ 32,948 | \$ 3,423 | \$ - | \$ 36,371 | \$ 36,371 |
| Total long-term liabilities | \$ 32,948 | \$ 3,423 | \$ - | \$ 36,371 | \$ 36,371 |

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

NOTE 7 - 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 8 - CASH HELD AT FISCAL YEAR END

At June 30, 2013 and 2012, the Corporation held cash and cash equivalents of \$79,802 and \$139,348, respectively, consisting of unexpended West Virginia Public Defender Service grant funds. West Virginia Public Defender Services considered this amount in determining the appropriate level of disbursements in the succeeding fiscal year necessary to fund the Corporation's normal operating activities.

NOTE 9 - CHANGE IN ACCOUNTING PRINCIPLE

For 2013, the Corporation implemented Governmental Accounting Standard Board (GASB) Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" and 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.

GASB Statement No. 63 identifies net positions, rather than net assets, as the residual of all other elements presented in a statement of financial position. There was no effect on beginning net position/fund balance.



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INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

Honorable Members of the Board
Public Defender Corporation
for the Eighth Judicial Circuit
Welch, West Virginia

Our report on our audit of the basic financial statements of the Public Defender Corporation for the Eighth 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.
September 13, 2013

PUBLIC DEFENDER CORPORATION
 FOR THE EIGHTH 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 | \$ 289,791 | \$ 288,473 | \$ 1,318 |
| Employee benefits | 80,399 | 74,209 | 6,190 |
| Support services | 38,100 | 15,387 | 22,713 |
| Administrative support | 7,932 | 4,697 | 3,235 |
| Office | 30,375 | 26,268 | 4,107 |
| Other | 2,100 | 69 | 2,031 |
| Acquisitions | <u>9,200</u> | <u>908</u> | <u>8,292</u> |
| Total | <u><u>\$ 457,897</u></u> | <u><u>\$ 410,011</u></u> | <u><u>\$ 47,886</u></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 Eighth Judicial Circuit
Welch, 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 Eighth 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 13, 2013 wherein we noted the Corporation adopted the provisions of Governmental Accounting Standard 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.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
September 13, 2013