



# 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 FIFTEENTH 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 FIFTEENTH 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  
Fifteenth Judicial Circuit  
Clarksburg, West Virginia 26301

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Public Defender Corporation for the Fifteenth 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 Fifteenth 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 11 to the financial statements, during the year ended June 30, 2013, the Corporation adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. We did not modify our opinion regarding these matters.

### **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 5, 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 5, 2013

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

This discussion and analysis of the Public Defender Corporation of the Fifteenth 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, 2013 and 2012, and identifies changes in the Corporation's financial position.

## **OVERVIEW OF BASIC FINANCIAL STATEMENTS**

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

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

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

**PUBLIC DEFENDER CORPORATION  
FOR THE FIFTEENTH JUDICIAL CIRCUIT  
MANAGEMENT'S DISCUSSION & ANALYSIS  
YEARS ENDED JUNE 30, 2013 and 2012**

**Financial Analysis of the Corporation**

	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>
<b>Assets</b>			
Capital assets	6,401	3,829	6,088
Other assets	<u>130,654</u>	<u>530,589</u>	<u>386,484</u>
<b>Total Assets</b>	<b><u>\$ 137,055</u></b>	<b><u>\$ 534,418</u></b>	<b><u>\$ 392,572</u></b>
<b>Liabilities</b>			
Long-term liabilities	348,020	411,125	273,823
Short-term liabilities	<u>27,980</u>	<u>31,733</u>	<u>52,892</u>
<b>Total Liabilities</b>	<b><u>\$ 376,000</u></b>	<b><u>\$ 442,858</u></b>	<b><u>\$ 326,715</u></b>
<b>Net Position</b>			
Net investment in capital assets	6,401	3,829	6,088
Unrestricted	<u>(245,346)</u>	<u>87,731</u>	<u>59,769</u>
<b>Total liabilities and net position</b>	<b><u>\$ 137,055</u></b>	<b><u>\$ 534,418</u></b>	<b><u>\$ 392,572</u></b>

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.

	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>
Operating revenue	759,529	1,278,455	1,192,252
Operating expenses	<u>1,090,219</u>	<u>1,253,105</u>	<u>1,182,018</u>
Operating (loss) income	<u><b>\$ (330,690)</b></u>	<u><b>\$ 25,350</b></u>	<u><b>\$ 9,234</b></u>
Non-operating revenue	185	353	453
Change in net position	<u>(330,505)</u>	<u>25,703</u>	<u>9,687</u>
Net position beginning of year	<u>91,560</u>	<u>65,857</u>	<u>56,170</u>
Net position at end of year	<b><u>\$ (238,945)</u></b>	<b><u>\$ 91,560</u></b>	<b><u>\$ 65,857</u></b>

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

### **Detailed Financial Analysis of the Corporation**

Cash held by the Corporation decreased by approximately \$399,000 primarily as a result of a reduction in the amount of grants received from the West Virginia Public Defender Services during the fiscal year ended June 30, 2013. Additionally, cash funds of \$4,200 were utilized to invest in computer equipment. Other post-employment benefit liability (OPEB), included in long-term liabilities, decreased by approximately \$63,000 primarily due to the Corporation receiving and applying a \$69,479 supplemental "committed" allotment (from West Virginia Public Defender Services) as well as \$5,000 of unrestricted funds against its OPEB liability. All other assets and liabilities remained basically consistent with the prior period.

As a result of the reduction in grants noted above, operating revenues decreased by approximately \$519,000.

Operating expenses for the fiscal year decreased by approximately \$163,000. This decrease is mostly attributable to a decrease in personal services (\$25,711) and employee benefits (\$139,872). The decrease in personal services is attributable to staff turnover (two "attorney-level personnel) while the decrease in employee benefits is associated with a decrease in the annual OPEB expense of \$125,929, from \$137,302 to \$11,373 in 2012 and 2013, respectively.

### **Capital Asset and Debt Activity**

As of June 30, 2013, 2012, and 2011, the Corporation had capital assets amounting to approximately \$109,500, \$105,500, and \$105,500, respectively. The Corporation's capital assets include furniture and fixtures, and office and computer equipment. The assets were being depreciated over useful lives of three to seven years. The accumulated depreciation on the assets amounted to approximately \$103,000, \$101,500, and \$99,000, 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 \$4,100, \$-0-, and \$2,500, 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 .05% to .15% for the years ended June 30, 2013, 2012 and 2011, respectively. Interest earned on the account for the years ended June 30, 2013, 2012, and 2011 amounted to approximately \$185, \$353, and \$453, respectively.

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

**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 \$1,118,835. This represents a budget decrease of approximately \$1,700 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 Suite 600, Chase Center West, 215 South 3rd St, Clarksburg, WV 26301.

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

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 129,949	\$ 529,388
Prepaid expenses	705	1,201
Total current assets	<u>130,654</u>	<u>530,589</u>
Capital assets		
Computer and equipment	68,099	63,901
Furniture and fixtures	41,411	41,411
	<u>109,510</u>	<u>105,312</u>
Less accumulated depreciation	<u>(103,109)</u>	<u>(101,483)</u>
Capital assets, net	<u>6,401</u>	<u>3,829</u>
Total assets	<u>\$ 137,055</u>	<u>\$ 534,418</u>
 <b>LIABILITIES</b>		
Current liabilities		
Accrued expenses	3,892	2,529
Compensated absences	<u>24,088</u>	<u>29,204</u>
Total current liabilities	<u>27,980</u>	<u>31,733</u>
Long term liabilities		
Other post employment benefit liability	<u>348,020</u>	<u>411,125</u>
Total long term liabilities	<u>348,020</u>	<u>411,125</u>
Total liabilities	<u>376,000</u>	<u>442,858</u>
 <b>NET POSITION</b>		
Net investment in capital assets	6,401	3,829
Unrestricted	<u>(245,346)</u>	<u>87,731</u>
Total net position	<u>\$ (238,945)</u>	<u>\$ 91,560</u>

The Accompanying Notes Are An Integral Part of These Financial Statements.

PUBLIC DEFENDER CORPORATION  
 FOR THE FIFTEENTH JUDICIAL DISTRICT  
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<b>OPERATING REVENUES</b>		
WV Public Defender Services Grant Revenue	\$ 690,000	\$ 1,271,845
WV Public Defender Services Restricted Revenue	69,479	-
WVU Law Grant	50	6,610
Total operating revenues	<u>759,529</u>	<u>1,278,455</u>
<b>OPERATING EXPENSES</b>		
Personal services	682,004	707,715
Employee benefits	263,539	403,411
Support services	11,347	9,718
Administrative support	16,068	12,071
Office	84,761	89,143
Other	24,492	18,189
Acquisition	6,382	10,599
Depreciation	1,626	2,259
Total operating expenses	<u>1,090,219</u>	<u>1,253,105</u>
Operating (loss) income	(330,690)	25,350
<b>NONOPERATING REVENUES</b>		
Interest income	185	353
Total nonoperating revenues	<u>185</u>	<u>353</u>
Change in net position	(330,505)	25,703
Net position, beginning of year	<u>91,560</u>	<u>65,857</u>
Net position, end of year	<u>\$ (238,945)</u>	<u>\$ 91,560</u>

The Accompanying Notes Are An Integral Part of These Financial Statements.

PUBLIC DEFENDER CORPORATION  
FOR THE FIFTEENTH JUDICIAL DISTRICT  
STATEMENTS OF CASH FLOWS  
JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from grants	\$ 759,529	\$ 1,278,455
Cash paid for expenses	<u>(1,154,955)</u>	<u>(1,125,764)</u>
Net cash (used in) provided by operating activities	<u>(395,426)</u>	<u>152,691</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash received as interest	185	353
Net cash provided by investing activities	<u>185</u>	<u>353</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Purchases of computers and equipment	<u>(4,198)</u>	-
Net cash (used in) investing activities	<u>(4,198)</u>	-
Net (decrease) increase in cash and cash equivalents	(399,439)	153,044
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>529,388</u>	<u>376,344</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 129,949</u>	<u>\$ 529,388</u>
 <b>RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>		
Operating (loss) income	(330,690)	25,350
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:		
Depreciation	1,626	2,259
(Increase) decrease in operating assets	496	8,939
Increase (decrease) in operating liabilities		
Accrued expenses	1,363	(22,908)
Compensated absences	<u>(5,116)</u>	<u>1,749</u>
Other postemployment benefit liability	<u>(63,105)</u>	<u>137,302</u>
Total adjustments	<u>(395,426)</u>	<u>152,691</u>
Net cash (used in) provided by operating activities	<u>\$ (395,426)</u>	<u>\$ 152,691</u>

The Accompanying Notes Are An Integral Part of These Financial Statements.

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

**NOTE 1 – ORGANIZATION**

The Public Defender Corporation for the Fifteenth 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 88% of the Corporation's revenues are utilized for program related purposes and 12% 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. 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.

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 FIFTEENTH JUDICIAL CIRCUIT  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2013 AND 2012

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

**Cash and Cash Equivalents**

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

**Capital Assets**

Capital assets include furniture, fixtures and computer equipment. Capital assets are stated at cost at the date of acquisition or construction, or fair market value at the date of donation in the case of gifts. Depreciation is computed using accelerated and straight-line methods over the estimated useful lives of the assets, generally 3 to 7 years. The Corporation's capitalization threshold is \$1,000. Depreciation expense for the years ended June 30, 2013 and 2012 was \$1,626 and \$2,259 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 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 FIFTEENTH 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) (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 position. OPEB costs are accrued based upon invoices received from RHBT Trust Fund based upon actuarial determined amounts. At June 30, 2013 and 2012, the noncurrent liability related to OPEB cost was \$348,020 and \$411,125. During the year ended June 30, 2013, the Corporation received a supplemental allotment of \$69,479 from WV Public Defender Services specifically restricted to be applied to its OPEB liability. This allotment as well as \$5,000 of unrestricted funds was paid into the PEIA account during the year. The total OPEB expense incurred was \$11,373 and \$137,302, which is included as a component of employee benefit expense. As of the years ended June 30, 2013 and 2012, there were no retirees receiving these benefits.

Risk Management

The State's Board of Risk and Insurance Management ("BRIM") provides general and liability coverage to the Corporation and its employees. Such coverage may be provided to the Corporation by BRIM through self-insurance programs maintained by BRIM or policies underwritten by BRIM that may involve experience-related premiums or adjustments to BRIM. BRIM engages an independent actuary to assist in the determination of its premiums so as to minimize the likelihood of premium adjustments to the Corporation or other participants in BRIM's insurance programs. As a result, management does not expect significant differences between the premiums the Corporation is currently charged by BRIM and the ultimate cost of that insurance based on the Corporation's actual loss experience. In the event such differences arise between estimated premiums currently charged by BRIM to the Corporation and the Corporation's ultimate actual loss experience, the difference will be recorded, as the change in estimate becomes known.

The Corporation obtained property and casualty coverage for itself and its employees through a third-party insurance company. Any loss in excess of \$1,000,000 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.

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

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

Risk Management (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.

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 FIFTEENTH 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 years ended June 30, 2013 and 2012:

2013				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<b>Capital assets being depreciated:</b>				
Computer Equipment	\$ 63,901	\$ 4,198	\$ -	\$ 68,099
Furniture and fixtures	<u>41,411</u>	<u>-</u>	<u>-</u>	<u>41,411</u>
Total capital assets	<u>105,312</u>	<u>4,198</u>	<u>-</u>	<u>109,510</u>
Less accumulated depreciation for:				
Computer equipment	(60,502)	(1,504)	-	(62,006)
Furniture and fixtures	<u>(40,981)</u>	<u>(122)</u>	<u>-</u>	<u>(41,103)</u>
Total accumulated depreciation	<u>(101,483)</u>	<u>(1,626)</u>	<u>-</u>	<u>(103,109)</u>
Capital assets, net	<u>\$ 3,829</u>	<u>\$ 2,572</u>	<u>\$ 2,322</u>	<u>\$ 6,401</u>
2012				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<b>Capital assets being depreciated:</b>				
Computer Equipment*	\$ 63,901	\$ -	\$ -	\$ 63,901
Furniture and fixtures*	<u>41,411</u>	<u>-</u>	<u>-</u>	<u>41,411</u>
Total capital assets*	<u>105,312</u>	<u>-</u>	<u>-</u>	<u>105,312</u>
Less accumulated depreciation for:				
Computer equipment*	(58,498)	(2,004)	-	(60,502)
Furniture and fixtures*	<u>(40,726)</u>	<u>(255)</u>	<u>-</u>	<u>(40,981)</u>
Total accumulated depreciation	<u>(99,224)</u>	<u>(2,259)</u>	<u>-</u>	<u>(101,483)</u>
Capital assets, net	<u>\$ 6,088</u>	<u>\$ (2,259)</u>	<u>\$ 2,322</u>	<u>\$ 3,829</u>

\*as restated

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

**NOTE 4 - DEFINED BENEFIT RETIREMENT PLAN**

The Corporation contributes to the West Virginia Public Employees' Retirement System (PERS), a cost-sharing multiple-employer benefit pension plan administered by the West Virginia Consolidated Public Retirement Board. Chapter 5, Article 10 of the West Virginia State Code

assigns the authority to establish and amend benefits provisions to the PERS Board of Trustees. Employees who retire at or after age 60 with five or more years of contributory service or who retire at or after age 55 and have completed 25 years of credited service are eligible for retirement benefits as established by State statute.

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

**FUNDING POLICY** — The PERS funding policy has been established by action of the State Legislature. State statute requires that plan participants contribute 4.5% of compensation. The current combined contribution rate is 18.5% of annual covered payroll, including the Corporation's contribution of 14% which is established by PERS.

Effective July 1, 2013, an increase in the contribution rate of 0.5% will raise the Corporation's contribution rate to 14.5%. Total contributions to PERS for the years ended June 30, 2013, 2012 and 2011 were \$124,274, \$136,080 and \$114,977, respectively, which consisted of \$94,050, \$103,850 and \$84,542 from the Corporation and \$30,224, \$32,230 and \$30,435 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 FIFTEENTH 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 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 a treasury bond with a par value of approximately \$422,000. The Corporation's bank balance at June 30, 2013 and 2012 was \$236,309 and \$555,831, 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					
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
<b>Long term liabilities:</b>					
Other post employment benefit liability	\$ 411,125	\$ 11,374	\$ 74,479	\$ 348,020	\$ -
Compensated absences	29,204	-	5,116	24,088	24,088
<b>Total long term liabilities</b>	<b>\$ 440,329</b>	<b>\$ 11,374</b>	<b>\$ 79,595</b>	<b>\$ 372,108</b>	<b>\$ 24,088</b>
2012					
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
<b>Long term liabilities:</b>					
Other post employment benefit liability	\$ 273,823	\$ 137,302	\$ -	\$ 411,125	\$ -
Compensated absences	27,455	1,749	-	29,204	29,204
<b>Total long term liabilities</b>	<b>\$ 301,278</b>	<b>\$ 139,051</b>	<b>\$ -</b>	<b>\$ 440,329</b>	<b>\$ 29,204</b>

PUBLIC DEFENDER CORPORATION  
FOR THE FIFTEENTH JUDICIAL CIRCUIT  
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**NOTE 7 – OPERATING LEASE OBLIGATIONS**

The Corporation leases copiers and a facility under operating lease agreements. Aggregate payments under these agreements were \$57,922 and \$61,650 for the years ended June 30, 2013 and 2012. Lease of the facility is currently on a month-to-month basis. Future minimum rental commitments under the copier lease are as follows:

<u>Year Ended June 30:</u>	<u>Amount</u>
2014	\$ 744
2015	744
2016	744
2017	744
2018	310
Total	<u>\$ 3,286</u>

**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, 2013 and 2012, the Corporation held cash and cash equivalents of \$129,949 and \$529,388, 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.

**NOTE 10 – RECLASSIFICATIONS**

A reclassification of financial statement amounts was reported in the statement of net position for the year ended June 30, 2012 to conform to the presentation of amounts for the year June 30, 2013. The reclassification relates to \$22,189 of capital assets that were included in the line item of "Furniture and Fixtures" in the Corporation's audited financial statements for the year ended June 30, 2012. Upon a review of the Corporation's detailed depreciation schedule, a determination that capital assets with acquisition value of \$22,189 would more appropriately be classified as computers and office equipment. Accordingly, the "Furniture and Fixtures" line

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

**NOTE 10 – RECLASSIFICATIONS (Continued)**

item has been reduced from \$63,600 to \$41,411 while “Computers and Equipment” has been increased from \$41,712 to \$63,901. Additionally, “Computers and Equipment” is a slight modification from the previously disclosed, “Computer Equipment” (noted in the June 30, 2012 audit report), reflecting the “broader composition” of equipment. These reclassifications had no effect on operating income or change in net position for the year ended June 30, 2012.

**NOTE 11 – CHANGE IN ACCOUNTING PRINCIPLES**

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

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

GASB Statement No. 63 provides financial and reporting guidance for deferred outflows of resources and deferred inflows of resources which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows and resources and deferred inflows of resources and their effects on the Corporation's net position.

The implementation of GASB Statement No. 63 has changed the presentation of the Corporation's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources, but had no impact on beginning of year net position.



# Balestra, Harr & Scherer, CPAs, Inc.

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## INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

Honorable Members of the Board  
Public Defender Corporation  
for the Fifteenth Judicial Circuit  
Clarksburg, West Virginia 26301

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

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
Piketon, Ohio  
September 5, 2013

PUBLIC DEFENDER CORPORATION  
 FOR THE FIFTEENTH 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	\$ 695,431	\$ 685,162	\$ 10,269
Employee benefits	262,890	256,670	\$ 6,220
Support services	16,549	11,347	\$ 5,202
Administrative services	19,166	16,068	\$ 3,098
Office	90,142	84,761	\$ 5,381
Other	24,627	24,482	\$ 145
Acquisitions	<u>11,740</u>	<u>10,578</u>	\$ 1,162
Total	<u>\$ 1,120,545</u>	<u>\$ 1,089,068</u>	<u>\$ 31,477</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 Fifteenth Judicial Circuit  
Clarksburg, West Virginia 26301

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 Fifteenth 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 5, 2013, wherein we noted the Corporation implemented GASB Statement No. 63.

### **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

bhs

Circleville

Piketon

Wheelersburg

Worthington

Honorable Members of the Board  
Report on Internal Control over Financial Reporting and on Compliance and  
Other Matters Required by *Government Auditing Standards*  
*Page 2*

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 5, 2013

PUBLIC DEFENDER CORPORATION  
FOR THE FIFTEENTH JUDICIAL CIRCUIT  
SCHEDULE OF PRIOR AUDIT FINDINGS  
YEARS ENDED JUNE 30, 2013 AND 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2012-01	Significant Deficiency Reporting	Yes	