

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

FINANCIAL STATEMENTS
WITH ADDITIONAL INFORMATION

YEARS ENDED JUNE 30, 2009 AND 2008
WITH
INDEPENDENT AUDITORS' REPORT

PUBLIC DEFENDER CORPORATION
FOR THE THIRTEENTH JUDICIAL CIRCUIT
YEARS ENDED JUNE 30, 2009 AND 2008

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INDEPENDENT AUDITORS' REPORT

Honorable Members of the Board
Public Defender Corporation
for the Thirteenth Judicial Circuit
Charleston, West Virginia

We have audited the basic financial statements of the Public Defender Corporation for the Thirteenth Judicial Circuit (the "Corporation"), a component unit of the State of West Virginia as of, and for the years ended, June 30, 2009 and 2008, 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, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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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, 2009, 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.



Charleston, West Virginia
September 28, 2009

PUBLIC DEFENDER CORPORATION
FOR THE THIRTEENTH JUDICIAL CIRCUIT
MANAGEMENT'S DISCUSSION & ANALYSIS
YEARS ENDED JUNE 30, 2009 AND 2008

This discussion and analysis of the Public Defender Corporation of the Thirteenth 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, 2009 and 2008, 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 *statements 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 *statements 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>2009</u>	<u>2008</u>	<u>2007</u>
Assets			
Capital assets	\$ 34,080	\$ 38,771	\$ 29,321
Other assets	<u>477,197</u>	<u>391,616</u>	<u>488,601</u>
Total assets	<u>\$ 511,277</u>	<u>\$ 430,387</u>	<u>\$ 517,922</u>
Liabilities			
Long-term liabilities	\$ 148,470	\$ 57,936	\$ -
Short-term liabilities	<u>156,369</u>	<u>153,448</u>	<u>121,245</u>
Total liabilities	<u>304,839</u>	<u>211,384</u>	<u>121,245</u>
Net Assets			
Invested in capital assets, net of related debt	34,080	38,771	-
Unrestricted	<u>172,358</u>	<u>180,232</u>	<u>396,677</u>
Total liabilities and net assets	<u>\$ 511,277</u>	<u>\$ 430,387</u>	<u>\$ 517,922</u>

PUBLIC DEFENDER CORPORATION
FOR THE THIRTEENTH JUDICIAL CIRCUIT
MANAGEMENT'S DISCUSSION & ANALYSIS
YEARS ENDED JUNE 30, 2009 AND 2008

The Corporation's revenues are primarily derived from funding from West Virginia Public Defender Services and accordingly 99% of the Corporation's revenues were derived from this funding for the years ended June 30, 2009, 2008 and 2007.

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Operating revenue	\$ 3,021,099	\$ 2,764,752	\$ 2,952,297
Operating expenses	<u>3,033,851</u>	<u>3,001,949</u>	<u>2,848,942</u>
Operating gain/(loss)	(12,752)	(237,197)	103,355
Nonoperating revenue	<u>187</u>	<u>59,523</u>	<u>276</u>
Change in net assets	(12,565)	(177,674)	103,631
Net assets at beginning of year	<u>219,003</u>	<u>396,677</u>	<u>293,046</u>
Net assets at end of year	<u>\$ 206,438</u>	<u>\$ 219,003</u>	<u>\$ 396,677</u>

Detailed Financial Analysis of the Corporation

Cash held by the Corporation increased by approximately \$84,000 due to an increase in funding from the West Virginia Public Defender Services (WVPDS). Other post employment benefit liability, included in long term liabilities increased by approximately \$91,000 due to an increase in the rate charged by RHBT Trust Fund. All other assets and liabilities remained consistent with the two prior periods.

Operating expenses for the fiscal year increased by approximately \$32,000. This increase is attributable to employee salaries. All other expenses remained consistent with the prior fiscal year.

Revenue for the fiscal year increased by approximately \$259,000 as a result of increased funding from the WVPDS.

Capital Asset and Debt Activity

As of June 30, 2009, 2008 and 2007, the Corporation had capital assets amounting to approximately \$394,000, \$392,000 and \$392,000, respectively. The Corporation's capital assets include furniture and fixtures 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 \$360,000, \$353,000 and \$363,000 respectively. There were disposals amounting to approximately \$1,600 during the current year.

PUBLIC DEFENDER CORPORATION
FOR THE THIRTEENTH JUDICIAL CIRCUIT
MANAGEMENT'S DISCUSSION & ANALYSIS
YEARS ENDED JUNE 30, 2009 AND 2008

Purchases of capital assets for the years ended June 30, 2009, 2008 and 2007 totaled \$3,300, \$19,800 and \$24,000, respectively.

The Corporation has no long term debt other than the other post employment benefit liability. More detailed information is presented in the notes to the financial statements.

Cash Management

The Corporation's funds are deposited into a checking account at a national banking institution. The account earned interest at a rate of .05%, .05% and .05% for the years ended June 30, 2009, 2008 and 2007, respectively. Interest earned on the account for the years ended June 30, 2009, 2008 and 2007 was \$187, \$267 and \$276, respectively.

Economic Factors and Next Year's Budget

The West Virginia Public Defender Services, the Corporation's state oversight agency, looked at various factors when approving the budget for the year ending June 30, 2010. 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, 2010, the Corporation has an approved budget of \$3,054,946. This represents a budget decrease of \$206 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 P.O. Box 2827, Union building, 9th Floor, Charleston, West Virginia 25330-2827.

PUBLIC DEFENDER CORPORATION
FOR THE THIRTEENTH JUDICIAL CIRCUIT
STATEMENTS OF NET ASSETS
JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Current assets		
Cash	\$ 474,182	\$ 390,011
Other assets	3,015	1,605
Total current assets	<u>477,197</u>	<u>391,616</u>
Capital assets		
Furniture and fixtures	116,541	114,769
Computer equipment	277,351	277,351
	<u>393,892</u>	<u>392,120</u>
Less accumulated depreciation	<u>(359,812)</u>	<u>(353,349)</u>
Capital assets, net	<u>34,080</u>	<u>38,771</u>
Total assets	<u>511,277</u>	<u>430,387</u>
LIABILITIES		
Current liabilities		
Deferred income	2,400	-
Accounts payable	3,651	3,651
Accrued expenses	30,771	30,250
Compensated absences	119,547	119,547
Total current liabilities	<u>156,369</u>	<u>153,448</u>
Non-current liabilities		
Other postemployment benefit liability	148,470	57,936
	<u>148,470</u>	<u>57,936</u>
Total liabilities	<u>304,839</u>	<u>211,384</u>
NET ASSETS		
Invested in capital assets, net of related debt	34,080	38,771
Unrestricted	172,358	180,232
Total net assets	<u>\$ 206,438</u>	<u>\$ 219,003</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

PUBLIC DEFENDER CORPORATION
FOR THE THIRTEENTH JUDICIAL CIRCUIT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Operating revenues		
West Virginia Public Defender Services Grant Revenue	\$ 3,018,699	\$ 2,759,737
Other income	2,400	5,015
Total operating revenues	<u>3,021,099</u>	<u>2,764,752</u>
Operating expenses		
Personal services	1,963,719	1,905,998
Employee benefits	694,907	728,376
Support services	38,136	41,619
Administrative support	60,738	58,656
Office	225,696	213,522
Other	26,290	23,401
Acquisition	16,334	21,664
Depreciation	8,031	8,713
Total operating expenses	<u>3,033,851</u>	<u>3,001,949</u>
Operating gain (loss)	(12,752)	(237,197)
Non-operating revenues (expenses)		
Interest	187	267
Insurance proceeds	-	10,899
Payments made on behalf of the entity	-	48,357
Non-operating revenues, net	<u>187</u>	<u>59,523</u>
CHANGE IN NET ASSETS	(12,565)	(177,674)
Net assets, beginning of year	<u>219,003</u>	<u>396,677</u>
Net assets, end of year	<u>\$ 206,438</u>	<u>\$ 219,003</u>

PUBLIC DEFENDER CORPORATION
FOR THE THIRTEENTH JUDICIAL CIRCUIT
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Cash received from grants	\$ 3,018,699	\$ 2,759,737
Cash paid for expenses	(2,933,775)	(2,840,806)
Other Income	2,400	5,015
Net cash provided (used) by operating activities	<u>87,324</u>	<u>(76,054)</u>
Cash flows from investing activities		
Cash received as interest	187	267
Purchases of property and equipment	(3,340)	(19,788)
Net cash provided (used) by investing activities	<u>(3,153)</u>	<u>(19,521)</u>
NET INCREASE (DECREASE) IN CASH	84,171	(95,575)
Cash balance, beginning of year	<u>390,011</u>	<u>485,586</u>
Cash balance, end of year	<u>\$ 474,182</u>	<u>\$ 390,011</u>
Reconciliation of operating gain (loss) to net cash provided (used) by operating activities		
Operating gain (loss)	<u>\$ (12,752)</u>	<u>\$ (237,197)</u>
Adjustments:		
Depreciation	8,031	8,713
Loss on disposal of equipment	-	1,625
Insurance proceeds	-	10,899
Expenses paid on behalf of the entity	-	48,357
Decrease (increase) in operating assets		
Other assets	(1,410)	1,410
Increase (decrease) in operating liabilities		
Deferred revenue	2,400	-
Accounts payable	-	(4,302)
Accrued expenses	521	23,273
Compensated absences	-	13,232
Other postemployment benefit liability	90,534	57,936
Total adjustments	<u>100,076</u>	<u>161,143</u>
Net cash provided (used) by operating activities	<u>\$ 87,324</u>	<u>\$ (76,054)</u>
Supplemental schedule of non-cash financing activities		
Payments received on behalf of entity	<u>\$ -</u>	<u>\$ 48,357</u>

PUBLIC DEFENDER CORPORATION
FOR THE THIRTEENTH JUDICIAL CIRCUIT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 AND 2008

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NOTE 1 - ORGANIZATION

The Public Defender Corporation for the Thirteenth 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, 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 THIRTEENTH JUDICIAL CIRCUIT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 AND 2008

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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 THIRTEENTH JUDICIAL CIRCUIT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 AND 2008

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 3 to 7 years. The Corporation's capitalization threshold is \$1,000. Depreciation expense for the years ended June 30, 2009 and 2008 was \$8,031 and \$8,713.

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 18 days. 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. All annual leave in excess of 25 days at the close of the fiscal year is forfeited by the employees.

PUBLIC DEFENDER CORPORATION
FOR THE THIRTEENTH JUDICIAL CIRCUIT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 AND 2008

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Corporation also grants sick leave at a rate of 1.5 days per month worked. Accrual of sick leave is unlimited. 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, 2009 and 2008, the noncurrent liability related to OPEB cost was \$148,470 and \$57,936, respectively. The total OPEB expense incurred was \$162,828 and \$184,885, respectively, which is included as a component of employee benefit expense. As of the year ended June 30, 2009, there were no retirees receiving these benefits.

Risk Management

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

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

West Virginia had a single private insurance company, BrickStreet Insurance, which provided workers' compensation coverage to all employers in the state. Other private insurance companies began to offer coverage to private-sector employers July 1, 2008 and can begin to offer coverage to government employers beginning July 1, 2012. 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.

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

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

PUBLIC DEFENDER CORPORATION
FOR THE THIRTEENTH JUDICIAL CIRCUIT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 AND 2008

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Income Taxes

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

Use of Estimates

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

Recent Statements Issued By GASB

The GASB has issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, effective for fiscal years beginning after June 15, 2009. This statement provides guidance regarding whether and when intangible assets should be considered capital assets for financial reporting purposes. The Corporation has not yet determined the effect that the adoption of GASB Statement No. 51 may have on the financial statements.

The GASB has issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for fiscal years beginning July 1, 2009. This statement addresses recognition, measurement and disclosure of information regarding derivative instruments entered into by state and local governments. The Corporation has not yet determined the effect that the adoption of GASB Statement No. 53 may have on its financial statements.

PUBLIC DEFENDER CORPORATION
 FOR THE THIRTEENTH JUDICIAL CIRCUIT
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2009 AND 2008

NOTE 3 - CAPITAL ASSETS

The following is a summary of capital asset transactions for the Corporation for the years ended June 30, 2009 and 2008:

	2009			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets being depreciated:				
Computer property	\$ 277,351	\$ -	\$ -	\$ 277,351
Furniture and fixtures	<u>114,769</u>	<u>3,340</u>	<u>1,568</u>	<u>116,541</u>
Total capital assets	<u>392,120</u>	<u>3,340</u>	<u>1,568</u>	<u>393,892</u>
Less accumulated depreciation for:				
Computer property	(256,445)	(5,185)	-	(261,630)
Furniture and fixtures	<u>(96,904)</u>	<u>(2,846)</u>	<u>1,568</u>	<u>(98,182)</u>
Total accumulated depreciation	<u>(353,349)</u>	<u>(8,031)</u>	<u>1,568</u>	<u>(359,812)</u>
Capital assets, net	<u>\$ 38,771</u>	<u>\$ (4,691)</u>	<u>\$ -</u>	<u>\$ 34,080</u>
	2008			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets being depreciated:				
Computer property	\$ 291,363	\$ 5,588	\$ (19,600)	\$ 277,351
Furniture and Fixtures	<u>100,569</u>	<u>14,200</u>	<u>-</u>	<u>114,769</u>
Total capital assets	<u>391,932</u>	<u>19,788</u>	<u>(19,600)</u>	<u>392,120</u>
Less accumulated depreciation for:				
Computer property	(268,540)	(5,880)	(17,975)	(256,445)
Furniture and fixtures	<u>(94,071)</u>	<u>(2,833)</u>	<u>-</u>	<u>(96,904)</u>
Total accumulated depreciation	<u>(362,611)</u>	<u>(8,713)</u>	<u>(17,975)</u>	<u>(353,349)</u>
Capital assets, net	<u>\$ 29,321</u>	<u>\$ 11,075</u>	<u>\$ (1,625)</u>	<u>\$ 38,771</u>

PUBLIC DEFENDER CORPORATION
FOR THE THIRTEENTH JUDICIAL CIRCUIT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 AND 2008

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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 Corporation's 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% of annual covered payroll, including the Corporation's contribution of 10.5% which is established by PERS. Effective July 1, 2009, an increase in the contribution rate of .5% will raise the Corporation's contribution rate to 11%. Total contributions to PERS for the years ended June 30, 2009, 2008 and 2007 were \$289,394, \$296,804 and \$266,949, respectively, which consisted of \$202,576, \$207,763 and \$186,864 from the Corporation, and \$86,818, \$89,041, and \$80,085 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 year ended June 30, 2009 or 2008, the Corporation did not authorize the employer portion of any buy-backs for Plan participants.

PUBLIC DEFENDER CORPORATION
 FOR THE THIRTEENTH JUDICIAL CIRCUIT
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2009 AND 2008

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 by US Treasury and Municipal Bonds with a total market value of \$937,297. The Corporation's bank balance at June 30, 2009 and 2008 was \$580,786 and \$527,268, 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, 2009 and 2008:

	2009				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Long-term liabilities:					
Other postemployment benefit liability	\$ 57,936	\$162,828	\$ 72,294	\$148,470	\$ -
Compensated absences	<u>119,547</u>	<u>-</u>	<u>-</u>	<u>119,547</u>	<u>119,547</u>
Total long-term liabilities	<u>\$ 177,483</u>	<u>\$162,828</u>	<u>\$ 72,294</u>	<u>\$268,017</u>	<u>\$ 119,547</u>
	2008				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Long-term liabilities:					
Other postemployment benefit liability	\$ -	\$ 57,936	\$ -	\$ 57,936	\$ -
Compensated absences	<u>106,315</u>	<u>13,232</u>	<u>-</u>	<u>119,547</u>	<u>119,547</u>
Total long-term liabilities	<u>\$ 106,315</u>	<u>\$ 71,168</u>	<u>\$ -</u>	<u>\$ 177,483</u>	<u>\$ 119,547</u>

PUBLIC DEFENDER CORPORATION
FOR THE THIRTEENTH JUDICIAL CIRCUIT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 AND 2008

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NOTE 7 - OPERATING LEASE OBLIGATIONS

The Corporation leases various equipment and facilities under operating lease agreements. Aggregate payments under these agreements were \$106,472 and \$99,647 for the years ended June 30, 2009 and 2008. Future minimum rental commitments are as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2010	\$ 103,644
2011	106,267
2012	<u>1,992</u>
	<u>\$ 211,903</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.

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, 2009 and 2008, the Corporation held cash and cash equivalents of \$474,182 and \$390,011 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 Thirteenth Judicial Circuit
Charleston, West Virginia

We have audited the basic financial statements of the Public Defender Corporation for the Thirteenth Judicial Circuit (the "Corporation") as of and for the year ended June 30, 2009, and have issued our report thereon dated September 28, 2009. 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 control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be 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*.

This report is intended solely for the information and use of the Public Defender Corporation for the Thirteenth 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.


Charleston, West Virginia
September 28, 2009

ADDITIONAL INFORMATION



INDEPENDENT AUDITORS' REPORT
ON ADDITIONAL INFORMATION

Honorable Members of the Board
Public Defender Corporation
for the Thirteenth Judicial Circuit
Charleston, West Virginia

Our report on our audit of the basic financial statements of the Public Defender Corporation for the Thirteenth Judicial Circuit for the year ended June 30, 2009 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.

Suttle & Stalnaker, PLLC
Charleston, West Virginia
September 28, 2009

PUBLIC DEFENDER CORPORATION
 FOR THE THIRTEENTH JUDICIAL CIRCUIT
 SCHEDULE OF BUDGET TO ACTUAL EXPENSES - CASH BASIS
 YEAR ENDED JUNE 30, 2009

	<u>Budget</u>	<u>Actual</u>	Under/(Over) Budget to <u>Actual</u>
Personal services	\$ 2,043,410	\$ 1,961,319	\$ 82,091
Employee benefits	632,274	603,852	28,422
Support services	40,090	38,136	1,954
Administrative services	60,918	60,737	181
Office	228,795	227,106	1,689
Other	27,985	26,291	1,694
Acquisitions	21,680	16,334	5,346
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 3,055,152</u>	<u>\$ 2,933,775</u>	<u>\$ 121,377</u>