JOE H. ROBERTS

GENERAL RECEIVER OF THE CIRCUIT COURT

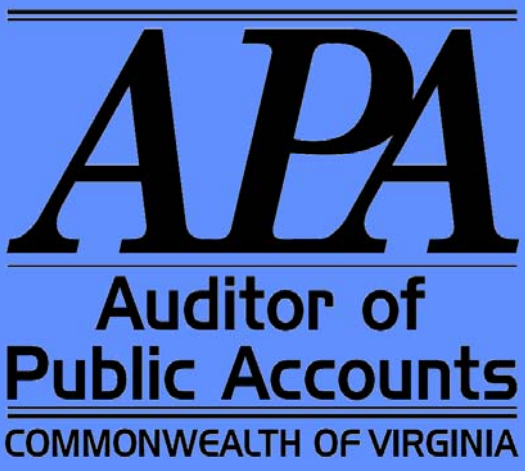
FOR THE

COUNTY OF WISE AND NORTON

REPORT ON AUDIT

FOR THE YEAR ENDED

JUNE 30, 2010



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Commonwealth of Virginia

Walter J. Kucharski, Auditor

Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

January 31, 2011

The Honorable Tammy S. McElyea
Chief Judge of the Circuit Court
County of Wise / City of Norton

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of fiduciary net assets arising from cash transactions of

JOSEPH H. ROBERTS
GENERAL RECEIVER OF THE CIRCUIT COURT
for the
COUNTY OF WISE / CITY OF NORTON

as of June 30, 2010, and the related statement of changes in fiduciary net assets for the year ended June 30, 2010. These financial statements are the responsibility of the General Receiver. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements have been prepared on the basis of modified cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net assets arising from cash transactions of the General Receiver of the Circuit Court of the County of Wise / City of Norton as of June 30, 2010, and the changes in fiduciary net assets for the year ended November 29, 2010, in conformity with the basis of accounting described in Notes 1-3.

AUDITOR OF PUBLIC ACCOUNTS

WJK:alh

cc: Paul F. DeLosh, Director of Judicial Services
Supreme Court of Virginia

COUNTY OF WISE
GENERAL RECEIVER OF THE CIRCUIT COURT
SCHEDULE OF FIDUCIARY OF NET ASSETS
AS OF JUNE 30, 2010 Exhibit A

A S S E T S

Money Market and Checking	$ 402,382
Certificate of Deposit	600,000
Due From the General Receiver	1,175
	-
Total Assets	1,003,556

L I A B I L I T I E S

Total Liabilities	-
Net Assets Held in Trust for Designees	$ 1,003,556

The accompanying notes to Financial Statements are an integral part of this statement.

COUNTY OF WISE
GENERAL RECEIVER OF CIRCUIT COURT
SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE PERIOD ENDING JUNE 30, 2010 Exhibit B

Additions:	
Trust funds	$ 287,355
Interest	32,216
Total Additions	319,571
Deductions:	
Trust funds	573,907
General receiver fees	5,470
Bond premiums and Audit Fee	3,802
Total Deductions	583,179
Net Increase (Decrease)	(263,608)
Net Assets Held in Trust for Designees	
Trust fund balance at July 1, 2009	1,267,164
Trust fund balance at June 30, 2010	$ 1,003,556

The accompanying notes to Financial Statements are an integral part of this statement.

COUNTY OF WISE / CITY OF NORTON

GENERAL RECEIVER OF THE CIRCUIT COURT

NOTES TO FINANCIAL STATEMENTS

AS OF JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Sections 8.01-582 through 8.01-590 of the Code of Virginia provide specific guidance to general receivers.

Any circuit court may appoint a general receiver of the court, whose duty shall be to receive, take charge of and hold all monies paid under any judgment, order or decree of the court, and also to pay out or dispose of same as the court so orders. General receivers are to maintain affidavits with the court providing beneficiary information as well as proposed dates of periodic and final disbursements.

Monies held pursuant to these sections shall be deemed public deposits and shall be invested in certificates of deposit or time deposits. Unless otherwise directed, general receivers shall collect dividends and interest on all investments and re-invest these collections.

General receivers shall keep an accurate and particular account of all monies received, invested and paid out. No later than October 1 of each year, the general receiver shall make a report to the circuit court including, but not limited to the whole amount invested, the manner of each investment, and the approximate date on which the monies held for the beneficiaries will become payable. A copy of this annual report is to be recorded in the court's trust fund order book.

A general receiver shall be liable for any loss of income which results from (i) failure to invest any money held within sixty days of receipt or (ii) failure to pay out any money so ordered by the court within sixty days of the court order. General receivers shall be charged with interest from the date of the court order until such investment or payment is made.

General receivers receive compensation and fees for services performed. No compensation shall be allowed until the general receiver has executed the required bond(s), made the required reports, and performed the duties previously described. The general receiver is entitled to an amount not to exceed ten dollars in each of the following circumstances: receipt of the originating court order; when all funds held for a beneficiary are disbursed; for each draft or check for periodic and final disbursements; for remitting funds to the State Treasurer; and per draft remitting those funds to the State Treasurer. The general receiver is also entitled to five percent of the interest income earned on each investment.

If a general receiver fails to keep the account, or to make out and return the statements as required, the general receiver shall be subject to a fine of not less than $100 nor more than $1,000 to be imposed by the court at its discretion.

B. Basis of Accounting

The financial statements of the General Receiver of the Circuit Court of the County of Wise / City of Norton have been prepared using the modified cash basis of accounting. Under the modified cash basis of accounting, additions to trust fund accounts are recorded when received and deductions from trust fund accounts are recorded when made.

C. Assets, Liabilities and Net Assets Held in Trust for Designees

1. Deposits and Investments

The general receiver's cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are principally comprised of monies held by the general receiver in a fiduciary capacity, as previously described. The general receiver should invest funds in an instrument or account insured by the Federal Deposit insurance corporation or Federal Savings and Loan Insurance Corporation. Generally, trust funds are invested in certificates of deposit. All investments are reported at fair value, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.*

2. Receivables

Additions to trust funds subject to accrual include investment interest earnings that are not yet recorded in the individual investment accounts at close of the fiscal year.

3. Liabilities

Deductions to trust funds subject to accrual include surety bond costs or General Receiver fees not yet recorded in the individual trust fund accounts at close of the fiscal year.

General receiver fees are monies owed by each trust fund account to the general receiver as compensation for the investment and record-keeping services performed.

Surety bonds are a liability of each trust fund account. The general receiver calculates the bond costs based on the year-end total balance of the invested accounts. The bond fee is then proportionally allocated to each trust fund account.

Each of these liability types are recorded against the trust fund account records at fiscal year end, in order to prepare an annual report that properly reflects trust fund additions, deductions and liabilities. Soon after fiscal year end, the general receiver will process the transactions and satisfy the liabilities.

2. SURETY BOND

Section 8.01-588 of the Code of Virginia requires that a general receiver shall annually give before the court a bond with surety sufficient at least to cover the probable amount under his control in any one year. The general receiver was bonded under a Trust Fund Administrators Bond with the Firemen's Insurance Company of Newark, New Jersey, as surety. The Virginia Department of Treasury, Division of Risk Management, establishes the rate used to calculate surety bond costs. The current rate is $3.00 per $1,000 invested, or .003 percent.

3. UNCLAIMED PROPERTY

Per Sections 8.01–602 and 55-210.9:2 of the Code of Virginia, in those instances where trust funds have become payable or distributable and have not been claimed by the owner for more than a year, the General Receiver is required to petition the Court to remit the unclaimed money to the State Treasurer.

COMMENTS TO MANAGEMENT

COUNTY OF WISE / CITY OF NORTON

GENERAL RECEIVER OF THE CIRCUIT COURT

AS OF JUNE 30, 2010

Improve Management of Trust Funds

The General Receiver improperly reported the amount of accounts under his control to the surety bonding company, which resulted in a premium bill being $132.65 higher. Additionally, during the year, the General Receiver miscalculated various fees and other charges, which resulted in overcharges to various accounts of $1045.98. The General Receiver deducted both of these amounts from the accounts under his control.

The General Receiver should refund the overcharges of $1045.98 to the appropriate individual accounts or work with the Judge to determine the best method to allocate the refund of these funds to the existing accounts. The Judge should also determine if the General Receiver is liable to refund the excess surety bond premium to the individual accounts. If the General Receiver needs to refund the premium, the Judge should also approve the method of allocation. The Judge should work with the General Receiver to improve the management of the accounts under his control.