



DEBORAH M. PENDLETON
GENERAL RECEIVER OF THE CIRCUIT COURT
FOR THE
COUNTY OF LEE

REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2014

Auditor of Public Accounts
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Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

October 28, 2014

The Honorable Chadwick S. Dotson
Chief Judge
County of Lee

We have examined the accompanying statement of fiduciary net assets arising from cash transactions of DEBORAH M. PENDLETON, General Receiver of the Circuit Court of the COUNTY OF LEE as of June 30, 2014, and the related statement of changes in fiduciary net assets for the year ended June 30, 2014. Our primary objectives were to test the accuracy of financial transactions reported on these statements; evaluate the General Receiver's internal controls; and test compliance with significant state laws, regulations, and policies.

The General Receiver has responsibility for maintaining the records supporting these financial statements, establishing and maintaining internal controls and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Deficiencies in internal controls could possibly lead to the loss of revenues or assets, or otherwise compromise fiscal accountability.

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

Based on our test work, 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 Lee as of June 30, 2014, and the changes in fiduciary net assets for the period July 1, 2013 to June 30, 2014, on the basis of accounting described in Note 1.

AUDITOR OF PUBLIC ACCOUNTS

MSM: clj

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

COUNTY OF LEE
GENERAL RECEIVER OF THE CIRCUIT COURT
STATEMENT OF FIDUCIARY OF NET ASSETS
AS OF JUNE 30, 2014

Exhibit A

ASSETS

Cash	\$ 1,087
Money Market	-
Certificate of Deposit	264,034
Certificate of Deposit	<u>-</u>
Total Assets	<u><u>265,121</u></u>

LIABILITIES

Total Liabilities	<u>1,087</u>
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Net Assets Held in Receiver Funds for Designees	<u><u>\$264,034</u></u>
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COUNTY OF LEE
GENERAL RECEIVER OF CIRCUIT COURT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE PERIOD ENDING JUNE 30, 2014

Exhibit B

Additions:

Receiver Funds	\$109,696
Interest	<u>2,262</u>
Total Additions	<u>111,958</u>

Deductions:

Receiver Funds	58,913
General receiver fees	292
Bond premiums and Audit Fee	<u>795</u>
Total Deductions	<u>60,000</u>

Net Increase (Decrease) 51,958

Net Assets Held in Receiver Funds for Designees

Receiver fund balance at July 1, 2013 212,076

Receiver fund balance at June 30, 2014 \$264,034

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

COUNTY OF LEE

GENERAL RECEIVER OF THE CIRCUIT COURT

NOTES TO FINANCIAL STATEMENTS

AS OF JUNE 30, 2014

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 Lee 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 yearend, 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.