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January 10, 2000

The Honorable J. W. Scott, Jr.  
Chief Judge of the Circuit Court  
King George, Virginia

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of assets and liabilities arising from cash transactions of

CHARLES V. MASON  
GENERAL RECEIVER OF THE CIRCUIT COURT  
of the  
COUNTY OF KING GEORGE

as of June 30, 1998, and the related statement of cash receipts and disbursements for the period July 1, 1996 through June 30, 1998. All records supporting 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 generally accepted auditing standards. 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 cash basis of accounting, 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 assets and liabilities arising from cash transactions of the General Receiver of the Circuit Court of the County of King George as of June 30, 1998, and the cash receipts and disbursements for the period July 1, 1996 through June 30, 1998, on the basis of accounting described in Note 1.

AUDITOR OF PUBLIC ACCOUNTS

WJK:aom  
aom:9

COUNTY OF KING GEORGE

GENERAL RECEIVIER OF THE CIRCUIT COURT

REPORT ON COMPLIANCE, INTERNAL CONTROLS, AND FINANCIAL RECORDS

INTRODUCTION

We conducted the audit of the General Receiver of the Circuit Court of the County of King George for the year ended June 30, 1998. The audit was designed to accomplish the following objectives:

- (1) review and evaluate the General Receiver's internal accounting control systems to determine whether the controls are adequate and the effect thereof on the extent of our audit procedures;
- (2) test for compliance with state laws, regulations and policies relating to the receipt, disbursement and custody of trust funds and other assets;
- (3) determine whether the records and accounts of the General Receiver accurately reflect financial transactions and balances; and
- (4) render an opinion on the fairness of the General Receiver's financial statements.

Maintain Appropriate Accounting Records

The General Receiver commingles his trust funds with his official accounts as Clerk of the Circuit Court. Therefore, we cannot determine if the General Receiver took custody of such funds as the General Receiver or the Clerk of the Circuit Court. The General Receiver adequately accounts for funds he transfers to his General Receiver accounts from the Circuit Court accounts.

Since the Clerk of the Circuit Court can perform all of the functions of a General Receiver, we recommend that the Chief Judge of the Circuit Court consider abolishing the position of General Receiver. This action would allow the Clerk to use the Supreme Court accounting system for these trust funds. If the Chief Judge does not abolish the position of General Receiver, the Judge must make sure that the General Receiver does not continue to commingle his trust fund accounts with his Clerk of the Circuit Court accounts and activities.

Further, the General Receiver must ensure that he has sufficient records and makes the appropriate reports to comply with Section 8.01-585 of the Code of Virginia. This section requires that "No later than October 1 of each year, he shall make a report to his court showing the balance to the credit of each case in the court in which money has been received by him, the manner of each case in the court in which money has been received by him, the manner in which it is invested, the amounts received, invested or paid out during the year ending June 30 of the current year, the approximate date on which the moneys held for the beneficiaries will become payable, and the whole amount then invested and subject to the future order of the court. A copy of the annual report shall be recorded in the trust fund order book." The General Receiver did not prepare the report required by this section; however, he has agreed to make the necessary modifications to comply with the Code reporting requirements in future years.

COUNTY OF KING GEORGE  
GENERAL RECEIVER OF THE CIRCUIT COURT  
STATEMENT OF ASSETS AND LIABILITIES  
As of June 30, 1998

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Exhibit A

A S S E T S

|                      |                 |
|----------------------|-----------------|
| Money Market Account | 549,946         |
| Cash                 | <u>\$ 2,392</u> |
|                      | <u>552,338</u>  |

L I A B I L I T I E S

|             |                   |
|-------------|-------------------|
| Trust funds | <u>\$ 552,338</u> |
|-------------|-------------------|

The accompanying notes to financial statements are an integral part of this statement.

COUNTY OF KING GEORGE  
 GENERAL RECEIVER OF THE CIRCUIT COURT  
 STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

For the Period July 1, 1996 through June 30, 1998

Exhibit A-1

|   | Balance<br>July 1,<br>1996 | Receipts          | Disburse-<br>ments | Balance<br>June 30,<br>1998 |
|---|----------------------------|-------------------|--------------------|-----------------------------|
| Trust funds                                   | \$ 545,904                 | \$ 287,184        | \$ 280,750         | \$ 552,338                  |
| Bond premium account                          | -                          | 3,170             | 3,170              | -                           |
| Total receipts, disbursements<br>and balances | <u>\$ 545,904</u>          | <u>\$ 290,354</u> | <u>\$ 283,920</u>  | <u>\$ 552,338</u>           |

The accompanying notes to financial statements are an integral part of this statement.

COUNTY OF KING GEORGE  
GENERAL RECEIVER OF THE CIRCUIT COURT  
NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the General Receiver of the Circuit Court of the County of King George have been prepared using the cash basis of accounting. Under the cash basis of accounting, revenues are recorded when received in cash and disbursements are recorded when made.

2. SURETY BOND

The General Receiver was bonded under a Trust Fund Administrators Bond with the Firemen's Insurance Company of Newark, New Jersey, as surety.