

RESIDENTIAL CONSTRUCTION RECOVERY FUND

**(A FIDUCIARY FUND OF THE NEVADA
STATE CONTRACTORS BOARD)**

**ANNUAL STATEMENT OF
CONDITION OF ACCOUNT
JUNE 30, 2020 AND 2019**

J.A. SOLARI & PARTNERS^{LLC}

Partners in Your Success

**RESIDENTIAL CONSTRUCTION RECOVERY FUND
(A FIDUCIARY FUND OF THE NEVADA STATE CONTRACTORS BOARD)
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JUNE 30, 2020 AND 2019**

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INDEPENDENT AUDITORS' REPORT

Administrative Committee of the
Nevada State Contractors Board
Residential Construction Recovery Fund
Reno, Nevada

We have audited the accompanying financial statements of the Residential Construction Recovery Fund (Recovery Fund) of the Nevada State Contractors Board as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Residential Construction Recovery Fund of the Nevada State Contractors Board as of June 30, 2020, and 2019, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Recovery Fund and do not purport to, and do not, present fairly the net position of the Nevada State Contractors Board as of June 30, 2020 and 2019, and the changes in its net position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

J.A. Solari & Partners, LLC

Reno, Nevada
September 4, 2020

**RESIDENTIAL CONSTRUCTION RECOVERY FUND
(A FIDUCIARY FUND OF THE NEVADA STATE CONTRACTORS BOARD)
STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 5,396,943	\$ 5,842,346
Due from other agencies	75,168	102,614
	<u>5,472,111</u>	<u>5,944,960</u>
LIABILITIES		
Due to other agencies	10,466	10,065
Licensing fees received in advance	299,010	289,065
	<u>309,476</u>	<u>299,130</u>
NET POSITION		
Held in trust for homeowner claims	5,162,635	5,645,830
	<u>\$ 5,472,111</u>	<u>\$ 5,944,960</u>

See accompanying notes

**RESIDENTIAL CONSTRUCTION RECOVERY FUND
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STATEMENTS OF CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
ADDITIONS		
Assessments and claim recaptures	\$ 602,504	\$ 645,785
Interest income	10,302	2,236
	612,806	648,021
DEDUCTIONS		
Claims	1,038,531	1,115,746
Office expense	27,639	16,684
Professional Fees	10,466	10,000
Salaries and wages	19,365	13,708
	1,096,001	1,156,138
Change in Net Position	(483,195)	(508,117)
Net Position at Beginning of Year	5,645,830	6,153,947
Net Position at End of Year	\$ 5,162,635	\$ 5,645,830

See accompanying notes

**RESIDENTIAL CONSTRUCTION RECOVERY FUND
(A FIDUCIARY FUND OF THE NEVADA STATE CONTRACTOR BOARD)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Residential Construction Recovery Fund (Recovery Fund) is a fiduciary fund of the Nevada State Contractors Board (Board). The Recovery Fund is deemed to be a private-purpose trust fund for financial reporting purposes. These financial statements represent only the Recovery Fund and are not intended to represent all operations of the Nevada State Contractors Board.

The Recovery Fund was established on October 1, 1999, as mandated by NRS 624.470 and is funded by the licensees through annual assessments. The assessments must be used to pay eligible claims made by owners of single-family residences who are damaged by the failure of a licensed residential contractor to adequately perform qualified services.

a. Basis of Accounting and Financial Statement Presentation

These financial statements have been prepared in accordance with principles established by the Governmental Accounting Standards Board (GASB), the authoritative standards-setting body for governmental accounting and financial reporting principles. The Recovery Fund maintains its accounting records using the economic resources measurement focus and applies the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability has been incurred.

b. Revenue Recognition

Generally, revenues from licensee assessments are deemed earned and recognized when the Recovery Fund has an enforceable legal claim to the amounts charged, which occurs when cash payment is received. However, in 2007, the Nevada Legislature revised NRS 624.280 – 624.283 to permit biennial license assessments. A system of staggering biennial assessments was implemented beginning January 2008, and was fully implemented as of June 30, 2009, so that all licensees pay assessments on a biennial basis. Since the biennial assessments cover more than one accounting period when collected, the Recovery Fund's policy is to recognize a portion of these revenues over the renewal period, which includes future accounting periods.

Generally, revenues from claim recaptures are recognized when received. Claim recaptures are collected from contractors who wish to have their license reinstated after claims have been paid out to homeowners.

c. Recovery Fund Claims

Once a claim has been deemed eligible for recovery in accordance with statute provisions, the recovery is limited to \$40,000 per claim, and the amount of recovery from the account based upon claims made against any single contractor must not exceed \$750,000 or 20 percent of the account balance, as determined on the date the Board approves payment of all the claims, whichever is less. In general, a claimant has four years after completion of the qualified services, or two years after obtaining a court ordered judgment, to file a complaint with the Board.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Claims are processed individually and the ultimate recovery amounts may differ from the original claim. Adjustment of the original claim amount may be made as a result of the Board's investigation into the claim as well as its review of all information deemed pertinent to the claim.

The Recovery Fund's claims payable, if reflected on the accompanying Statements of Net Position, represent claims received, investigated, and awarded prior to the end of the fiscal year.

d. Cash

Cash is maintained in a commercial bank located in Nevada. Cash accounts of the Recovery Fund are separately maintained from the cash accounts of all other Board operations. However, receipts from licensee assessments are initially deposited into the non-interest-bearing general checking account of the Board, and on a bimonthly basis, the Board then transfers those funds that belong to the Recovery Fund.

e. Net Position

The net position of the Recovery Fund is held in trust for homeowner claims and is not available for general operations of the Board.

f. Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles 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 expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CASH

Concentration of Credit Risk and Custodial Credit Risk

The Recovery Fund maintains cash accounts in a commercial bank located in Nevada. Interest-bearing accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Accounts held at this institution that are in excess of FDIC insured limits, balances are collateralized. As of June 30, 2020, and 2019, the Recovery Fund's uninsured but collateralized balances were \$5,451,983 and \$6,108,692, respectively.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 3 – DUE FROM OTHER AGENCIES

The balances due from other agencies represent amounts due from the Nevada State Contractors Board for receipts of licensee recovery fund fees collected on behalf of the Recovery Fund. These fees are transferred to the Recovery Fund on a monthly basis.

NOTE 4 – DUE TO OTHER AGENCIES

The balances due to other agencies represent amounts due to the Nevada State Contractors Board. The balances represent amounts charged to the Recovery Fund for personnel and other costs incurred in administering the Recovery Fund, as provided by NRS 624.540. These fees are transferred to the Nevada State Contractors Board on a quarterly basis.

NOTE 5 – COMPLIANCE WITH NEVADA REVISED STATUTES AND NEVADA ADMINISTRATIVE CODE

The Board conformed to all significant statutory constraints on its financial administration during the fiscal year.

NOTE 6 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 4, 2020, which represents the date the financial statements were available to be issued.