

RESIDENTIAL CONSTRUCTION RECOVERY FUND

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

**ANNUAL STATEMENT OF CONDITION OF ACCOUNT
JUNE 30, 2022 AND 2021**

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, 2022 AND 2021**

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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, 2022 and 2021, and the related notes to the financial statements, as listed in the table of contents.

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, 2022, and 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Residential Construction Recovery Fund, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Recovery Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Recovery Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Recovery Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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, 2022 and 2021, 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
August 30, 2022

**RESIDENTIAL CONSTRUCTION RECOVERY FUND
(A FIDUCIARY FUND OF THE NEVADA STATE CONTRACTORS BOARD)
STATEMENTS OF NET POSITION
JUNE 30, 2022 AND 2021**

	2022	2021
ASSETS		
Cash	\$ 5,443,841	\$ 5,589,467
Due from other agencies	76,282	61,200
	5,520,123	5,650,667
LIABILITIES		
Due to other agencies	19,232	16,721
Licensing fees received in advance	322,505	321,865
	341,737	338,586
NET POSITION		
Held in trust for homeowner claims	5,178,386	5,312,081
	\$ 5,520,123	\$ 5,650,667

See accompanying notes

**RESIDENTIAL CONSTRUCTION RECOVERY FUND
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STATEMENTS OF CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
ADDITIONS		
Assessments and claim recaptures	675,070	\$ 627,405
Interest income	9,345	9,438
	<u>684,415</u>	<u>636,843</u>
DEDUCTIONS		
Claims	767,076	437,929
Office expense	24,563	23,132
Professional fees	11,753	10,973
Salaries and wages	14,718	15,364
	<u>818,110</u>	<u>487,398</u>
Change in Net Position	(133,695)	149,445
Net Position at Beginning of Year	5,312,081	5,162,636
Net Position at End of Year	<u>\$ 5,178,386</u>	<u>\$ 5,312,081</u>

See accompanying notes

**RESIDENTIAL CONSTRUCTION RECOVERY FUND
(A FIDUCIARY FUND OF THE NEVADA STATE CONTRACTOR BOARD)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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 licensed residential contractors 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, 2022 AND 2021**

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 monthly 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, 2022, and 2021, the Recovery Fund's uninsured but collateralized balances were \$5,443,841 and \$5,592,713, respectively.

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JUNE 30, 2022 AND 2021**

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 August 30, 2022, which represents the date the financial statements were available to be issued.