



**STATE OF ARIZONA
REGISTRAR OF CONTRACTORS
RESIDENTIAL CONTRACTORS' RECOVERY FUND**

**FINANCIAL STATEMENT
Year Ended June 30, 2015**

**STATE OF ARIZONA
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DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent Accountants' Report

Members of the Arizona State Legislature

Jeffrey Fleetham, Director
Arizona Registrar of Contractors

We have examined the accompanying Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance for the Registrar of Contractors' (Registrar) Residential Contractor's Recovery Fund for the year ended June 30, 2015. The Registrar's management is responsible for this statement. Our responsibility is to express an opinion on this statement based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the Registrar's Residential Contractor's Recovery Fund's Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the Statement referred to above presents, in all material respects, the cash receipts, cash disbursements, and changes in fund cash balance of the Arizona Registrar of Contractors' Residential Contractor's Recovery Fund.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Director of the Registrar of Contractors and other responsible parties within the Department, and for filing with the Arizona Department of Insurance and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Jay Zsorey, CPA
Financial Audit Director

November 16, 2015

STATE OF ARIZONA
REGISTRAR OF CONTRACTORS
RESIDENTIAL CONTRACTORS' RECOVERY FUND
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCE
As of and for the Year Ended June 30, 2015

CASH RECEIPTS	
New license fees	\$ 383,619
License renewal fees	3,697,719
Recoveries	276,113
Civil penalties	38,709
Interest	34,977
Reversions	-
TOTAL CASH RECEIPTS	4,431,137

CASH DISBURSEMENTS	
Personal services	237,905
Employee related expenditures	81,470
Rent	21,440
Other operating expenditures	7,253
Judgments	583,806
TOTAL CASH DISBURSEMENTS	931,874

EXCESS OF CASH RECEIPTS OVER CASH DISBURSEMENTS	3,499,263
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FUND CASH BALANCE - Beginning of Year	4,491,020
FUND CASH BALANCE - End of Year	7,990,283

FUND CASH BALANCE Consists Of:

Cash Held by State Treasurer	2,046,868
Investments held by State Treasurer	5,943,415
	\$ 7,990,283

See accompanying Notes to Financial Statement

STATE OF ARIZONA
REGISTRAR OF CONTRACTORS
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NOTES TO FINANCIAL STATEMENT
Year Ended June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance (the Statement) is presented on the cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America. Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The differences between GAAP and cash basis accounting are discussed in more detail in Section C “Basis of Accounting.”

A. Reporting Entity

The Residential Contractors' Recovery Fund (the Fund) was established by the Arizona State Legislature to be administered by the Arizona Registrar of Contractors (the Registrar). The Fund is part of the State of Arizona's (the State) reporting entity. However, the Statement is intended to present solely the cash transactions of the Fund. This statement does not present the financial position or changes in financial position of the State or the Registrar. The State issues a publicly available Comprehensive Annual Financial Report (CAFR). Copies of the CAFR are available on the Arizona Department of Administration's General Accounting Office's (GAO) website at www.gao.az.gov, or can be obtained by contacting GAO at 100 North 15th Avenue, 3rd Floor, Suite 302, Phoenix, Arizona 85007.

Arizona Revised Statutes (ARS) §32-1134 directs the Registrar to file an annual statement of the condition of the Fund with the Department of Insurance. To comply with this statute, the accompanying Statement is prepared and limited to the presentation of cash activities of the Fund.

The Fund's financial reporting entity is composed solely of the Residential Contractor's Recovery Fund. There are no affiliated organizations that require inclusion as blended or discretely presented component units.

The reporting entity consists of a single governmental special revenue fund. Special revenue funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for a specified purpose or committed to finance particular functions or activities of a government.

The Residential Contractors' Recovery Fund was established by the Arizona State Legislature under ARS §32-1132 and is administered by the Arizona Registrar of Contractors. Any person injured by an act, representation, transaction or conduct of a licensed Arizona residential contractor may, within statutory limitation, be awarded monetary damages from the Fund.

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Payments for claims may not exceed thirty thousand dollars (\$30,000) per claim (ARS §32-1132), or accumulated claims of two hundred thousand dollars (\$200,000) for any one residential contractor's license (ARS§ 32-1139). Complaints that lead to a Recovery Fund claim can be filed within two years from the commission of the act. Additionally, at the time of application or renewal, most contractors remit fees for a two-year licensing period.

B. Fund Financial Statements

The focus of the Statement is on the sources, uses and balances of cash resources.

C. Basis of Accounting

As required by ARS §32-1134(A)(1), the Statement is prepared using the cash basis of accounting. This basis of accounting recognizes cash receipts and transfers in when monies are received; disbursements are recognized when payment is made for goods and services received; and transfers out are recognized when monies are transferred.

NOTE 2 – CASH AND INVESTMENTS HELD BY THE STATE TREASURER

All cash is deposited or invested with the Arizona State Treasurer (Treasurer). The Treasurer is part of the State's financial reporting entity and issues a separately published Annual Financial Report. A copy of the State Treasurer's Office Annual Financial Report can be obtained from its website at www.aztreasury.gov or by contacting the State Treasurer's Office at 1700 West Washington, Phoenix Arizona 85007.

ARS §35-146 requires State agencies' monies to be deposited with the State Treasurer, and further require those deposits to be invested in various pooled funds.

Cash and investments held by the State Treasurer represent the Fund's portion of those monies. The Treasurer invests idle monies of state agencies in an internal investment pool (Pool 3) and distributes interest to the participants. Interest earned from these invested monies is allocated monthly based on average daily cash balances. Participant shares in the pool are purchased and sold based on the Net Position Value of the shares and a participant's portion of the pool is not identified with specific investments. Accordingly, the Fund's portion of these deposits and investments approximates the Fund's value of pool shares.

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The Treasurer's internal investment Pool 3 is not required to be registered (and is not registered) with the Securities and Exchange Commission under the 1940 Investments Advisors Act. In accordance with ARS §35-311, the State Board of Investment reviews the activities and performance of the pool monthly. The State Treasurer's Investment Pool 3 is not rated and as of June 30, 2015, the weighted average to maturity of the Pool's investments is 2.91 years.

At June 30, 2015, the Fund's deposits with the State Treasurer were as follows:

	Amount
Cash deposits	\$ 2,046,868
Investment Pool 3	<u>5,943,415</u>
	<u>\$ 7,990,283</u>