

NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Construction Industries Board was created in 2001 for the licensing and oversight of the construction industries trades, the laws for which includes the Plumbing License Law of 1955, the Oklahoma Inspectors Act, the Electrical Licensing Act, WKHRPH(SHEWLR/LFHJ)SEW the Mechanical Licensing Act and the Roofing Contractor Registration Act. Title 59 O.S., § 1000.2 separated the Board from the State Department of Health on July 1, 2004. The Board is a part of the primary government of the State of Oklahoma, and its financial data is included in the State's Comprehensive Annual Financial Report. The accompanying financial statement presents the financial position and results of operations of only that portion of governmental fund activities of the State of Oklahoma that is attributable to the Board.

B. Basis of Presentation and Accounting

As required by Title 59 O.S., § 1000.4(C) the accompanying financial statement presents the receipts, expenditures, and changes in cash balances for all treasury funds of the Board.

The financial statement is prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred. The cash basis is not a comprehensive measure of economic condition or changes therein.

C. Cash

At June 30, 2018, all cash was under the control of the State Treasurer of Oklahoma and was collateralized in accordance with 62 O.S. § 72.4., titled, "Security for Public Deposits Act." As of this date, the bank balances on deposit are fully insured or collateralized with securities held by the State's agent in the State's name.

2. Transfers from Clearing Account to State General Revenue Fund

Title 62 O.S. § 211 requires all "self-sustaining boards created by statute to regulate and prescribe standards, practices, and procedures in any profession, occupation or vocation" to pay into the General Revenue Fund of the State ten percent (10%) of the gross fees charged, collected and received. The Oklahoma State Treasurer ("OST") maintains a clearing account in which all receipts are deposited. When the required 10% deposit of monies is made to the state's general revenue fund, it is made directly from the clearing account. As a result, the portion of receipts transferred to the state's general revenue fund is netted against the revenues shown on the Statement of Receipts, Expenditures, and Changes in Cash-Regulatory Basis. Total receipts transferred to the state's general revenue fund from the clearing account for FY2018 was \$371,455. Total refunds issued from the clearing account in FY2018 were \$26,140.

3. Risk Management

The Risk Management Division of the State's Office of Management and Enterprise Services is responsible for the acquisition and administration of all insurance purchased by the State and for administration of self-insurance plans and programs adopted for use by the State.

The Risk Management Division is authorized to settle claims of the State and oversee the dispensation and/or settlement of claims against a political subdivision. In no event shall self-insurance coverage provided to the

State, an agency or other covered entity exceed the limitations on the maximum dollar amount of liability specified by the Oklahoma Governmental Tort Claims Act. The Risk Management Division oversees the collection of liability claims owed to the State incurred as the result of a loss through the wrongful or negligent act of a private person or other entity. The Risk Management Division is also charged with the responsibility to immediately notify the Attorney General of any claims against the State presented to the Risk Management Division.

4. Pension Plans

Defined Benefit Plan Description. The Board contributes to the Oklahoma Public Employees Retirement Plan, a multiple employer, cost-sharing public employee retirement plan, which is a defined benefit (DB) pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and can be amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits. Title 74 of the Oklahoma Statutes, Sections 901 through 943, as amended, provide more complete information about the Plan. OPERS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73152 or by calling 1-800-733-9008.

Contribution Policy. The contribution rates for each member category of the Plan are established by and can be amended by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. All state employees contribute 3.5% of their total salary under this plan. State agency employers contribute 16.5% of total salary. The Board's contributions to the Plan for the years ended June 30, 2018, 2017, 2016, and 2015 were \$239,826, \$236,733, \$238,206, and \$233,036 respectively. These contributions were equal to the contributions required.

Defined Contribution Plan Description. In 2015 new legislation directed OPERS to establish a defined contribution (DC) retirement system for members first employed on or after November 1, 2015. This new DC plan (known as "Pathfinder") was created during the year ended June 30, 2016 for any employees who do not have any prior service credit with OPERS. The amount a participant has at retirement under a defined contribution plan is dependent upon how much was contributed and invested over his/her career, how well those investments performed, and how quickly distributions are taken in retirement.

Contribution Policy. Participating employees on Pathfinder contribute a minimum of 4.5% of their compensation. Participating employers match employee contributions up to 7%. In addition to the matching contributions, participating employers are required to remit to OPERS the difference between the matching contributions for DC plan members and the amount the participating employer would have contributed for a DB plan member. The Board's contributions to the DC Plan for the years ended June 30, 2018, 2017, and 2016 were \$9,076, \$2,912 and \$0. The Board's payment for the difference between matching contributions for the DC plan and the DB plan for the years ended June 30, 2018, 2017, and 2016 were \$12,946, \$4,292 and \$0.

5. Other Post-Employment Benefits

Health Insurance Subsidy Plan. In addition to the pension benefits described in Note 4, employees of the Board are provided post-retirement health care benefits through their membership in the Oklahoma Public Employees Retirement System (OPERS). OPERS pays the Medicare supplement premium or \$105 per month, whichever is less, for all retirees who elect coverage at time of retirement through the Oklahoma Office of Management and Enterprise Services (OMES) Employees Group Insurance Division (EGID) formerly OSEEGIB. EGID is a cost-sharing, multi-employer defined benefit other postemployment benefit (OPEB) plan. The plan is a legal trust for administering, managing and providing group health, dental, life and disability plans and benefits to active employees and retirees of state agencies, school districts and other governmental units. The plan also provides coverage for employee and retiree dependents when so elected.

OPERS funds post-employment health care benefits as part of the overall retirement requirement. The contribution rates for each member category of the System are established by the Oklahoma Legislature after recommendation by EGID based on an actuarial calculation, which is performed to determine the adequacy of such contribution rates. An actuarially determined portion of the total contributions to the System are set aside to finance the cost of the benefits of the Health Insurance Subsidy Plan (HISP) in accordance with provisions of the Internal Revenue Code. Based on the contribution requirements of the plan, employers and employees contribute a single amount based on a single contribution rate of 16.5% as described in the Defined Benefit Contribution policy per Note 4 above; from this amount OPERS allocates a portion of the contributions to the supplemental health insurance program.

Implicit Rate Subsidy of Health Insurance. The Employee Group Insurance Division (EGID) is a division of the Office of Management and Enterprise Services (OMES). EGID administers, manages, and provides group health, dental, life, and disability insurance for active employees and retirees of state agencies, school districts, and other governmental units of the State of Oklahoma (the State) through Title 74 of the Oklahoma Statutes, Sections 1301 et seq. as amended. As a state agency, the Board offers this insurance coverage and Board employees receive a post-employment benefit of blended health insurance rates.

This OPEB Plan is a non-trusted single employer plan where contributions are made by both participants and participating employer agencies on a “pay as you go” basis.

6. **Legislative - Transfers Out**

2017 Oklahoma Session Laws (O.S.L.) 371 [SB860] authorized cash to be removed from specific agency revolving funds; Section 161 removed \$400,000 from the Electrical Revolving Fund and section 162 removed \$400,000 from the Oklahoma Mechanical Licensing Revolving Fund. The law became effective July 1, 2017 and the funds were removed out of the specific agency revolving funds on July 1, 2017 (FY 2018).

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

**TO THE CONSTRUCTION INDUSTRIES BOARD
STATE OF OKLAHOMA**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Expenditures, and Changes in Cash – Regulatory Basis of the Construction Industries Board (the Board), a part of the primary government of the State of Oklahoma, for the year ended June 30, 2018, and the related notes to the financial statement, which collectively comprises the Board's financial statement, and have issued our report thereon dated September 20, 2019.

Our report on the financial statement included an adverse opinion on U.S. Generally Accepted Accounting Principles because the financial statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, expenditures, and changes in cash – regulatory basis of the Board for the year ended June 30, 2018, on the basis of accounting prescribed by Oklahoma State law as described in Note 1-B. The report included an explanatory paragraph stating that the financial statement of the Board is intended to present the financial position and results of daily operations only for that portion of the State of Oklahoma attributable to the transactions of the Board.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR AND INSPECTOR

September 20, 2019

O·K·L·A·H·O·M·A
S·A·I
STATE AUDITOR & INSPECTOR



Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov