

AUDITED FINANCIAL STATEMENT

**UNIFORM BUILDING
CODE COMMISSION**

June 30, 2017

UNIFORM BUILDING CODE COMMISSION

June 30, 2017

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Independent Auditors' Report

To the Uniform Building Code Commission
State of Oklahoma

Report on the Financial Statement

We have audited the accompanying financial statement of Uniform Building Code Commission (the "Commission"), a part of the primary government of the State of Oklahoma, which comprises the receipts, expenditures, and changes in cash – regulatory basis for the year ended June 30, 2017, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of Title 59 of the Oklahoma Statutes, §1000.24(C). Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statement 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 Commission'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 statement.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note A, the financial statement is prepared by the Commission, a part of the primary government of the State of Oklahoma, on the basis of the financial reporting provisions of Title 59 O.S. §1000.24(C), which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of Oklahoma.

As further described in Note A, the financial statement of the Commission is intended to present the financial position and the changes in financial position of only that portion of the State of Oklahoma that is attributable to the transactions of the Commission. It does not purport to, and does not, present fairly the financial position of the State of Oklahoma for the year ended June 30, 2017, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note A and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Commission for the year ended June 30, 2017, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the changes in cash of the Commission for the year ended June 30, 2017, and the revenues it received and expenditures it paid for the year then ended, in accordance with the financial reporting provisions of Title 59 O.S. §1000.24(C) as described in Note A.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 19, 2019, on our consideration of the Commission’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Commission’s internal control over financial reporting and compliance.

Rose Rock CPAs PLLC

Edmond, Oklahoma
February 19, 2019

STATEMENT OF RECEIPTS, EXPENDITURES AND CHANGES
IN CASH - REGULATORY BASIS

UNIFORM BUILDING CODE COMMISSION

Year Ended June 30, 2017

RECEIPTS

Fees	\$	<u>546,994</u>
TOTAL RECEIPTS		546,994

EXPENDITURES

Salary expenses	192,239
Insurance premiums – health, life, etc.	36,617
FICA and retirement contributions	45,372
Professional and legal services	131,088
Inter/intra agency payments – professional services	370
Travel – reimbursements	5,567
Postage, telecommunication and misc. admin. expenses	5,730
Rent expenses	12,978
Maintenance and repair expenses	379
General operating expenses	558
Office furniture and equipment	203
Library equipment	575
Incentive awards	<u>45</u>
TOTAL EXPENDITURES	<u>431,721</u>

RECEIPTS OVER EXPENDITURES 115,273

TRANSFERS OUT 800,000

RECEIPTS OVER EXPENDITURES LESS TRANSFERS OUT (684,727)

CASH AT BEGINNING OF YEAR 1,444,063

RESTATEMENT 14,949

CASH AT BEGINNING OF YEAR, RESTATED 1,459,012

CASH AT END OF YEAR \$ 774,285

See notes to financial statement.

NOTES TO THE FINANCIAL STATEMENT--CONTINUED

UNIFORM BUILDING CODE COMMISSION

June 30, 2017

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The Oklahoma Uniform Building Code Commission (the "Commission") was created in 2009 by Title 59 O.S., §1000.20 through §1000.29 to review and adopt all building codes for residential and commercial construction to be used by all entities within Oklahoma. Codes and standards adopted by the Commission shall be the minimum standards for residential and commercial construction in Oklahoma. The Commission is a part of the primary government of the State of Oklahoma (the "State"). Under the provisions of Title 59 O.S., §1000.25, the Commission is funded solely through fees charged for the issuance and renewal of any construction permits issued by any agency, municipality or other political subdivision of the State. The Commission receives no appropriations of any funds from the State.

As required by Title 59 O.S., §1000.24(C), the accompanying financial statement presents the receipts, expenditures, and changes in cash balances for all treasury funds of the Commission.

Basis of Accounting: 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.

Cash: At June 30, 2017, all cash was under the control of the State Treasurer of Oklahoma and was collateralized in accordance with the Security for Public Deposits Act, 62 O.S. §72. 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.

Subsequent Events: Subsequent events have been evaluated through February 19, 2019, which is the date the financial statement was available to be issued.

NOTE B--RISK MANAGEMENT

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.

NOTES TO THE FINANCIAL STATEMENT--CONTINUED

UNIFORM BUILDING CODE COMMISSION

June 30, 2017

NOTE B--RISK MANAGEMENT, Continued

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.

NOTE C--PENSION PLAN

Plan Description: The Commission contributes to the Oklahoma Public Employees Retirement Plan, a multiple employer, cost-sharing public employee retirement plan, which is a defined benefit pension plan administered by the Oklahoma Public Employees Retirement System ("OPERS"). Benefit provisions are established and can be amended by the Oklahoma Legislature. OPERS also administers a separate defined contribution plan for employees hired after November 1, 2015.

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.

Funding 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. State employees contribute 3.5% of their annual compensation. Beginning in fiscal year 2013 State agency employers contribute 16.5% of total salary which was increased from 15.5% in fiscal year 2012. The Commission's contributions to the Plan for the years ended June 30, 2017, 2016 and 2015 were \$28,217.94, \$31,172.76, and \$29,998.55, respectively. These contributions were equal to the contributions required.

NOTE D--OTHER POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note C, employees of the Commission are provided post-retirement health care benefits through their membership in the 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 Employees Group Insurance Division ("EGID") of the Oklahoma Management and Enterprise Services ("OMES"). The plan is 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. Other post-employment benefits expenditure and participant information is available for the state as a whole; however, information specific to the Commission is not available, nor can it be reasonably estimated.

NOTES TO THE FINANCIAL STATEMENT--CONTINUED

UNIFORM BUILDING CODE COMMISSION

June 30, 2017

NOTE E--TRANSFERS OUT

During the year ended June 30, 2017, the State Legislature, pursuant to SB No. 1616 §177, in an effort to balance its State Budget appropriated and removed \$800,000 from the Commission's Revolving Fund to the Special Cash Fund of the State Treasury.

NOTE F--RESTATEMENT

During the year ended June 30, 2017, the Commission was notified by OMES of a \$14,949 correction to the Commission's beginning cash balance that was primarily related to errors dating back to fiscal year 2014. The Commission's beginning cash balance has been restated by \$14,949 to reflect this correction.



**Independent Auditors' Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on
an Audit of the Financial Statement Performed in
Accordance with Government Auditing Standards**

To the Uniform Building Code Commission
State of Oklahoma

We have audited, in accordance with 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 Uniform Building Code Commission (the “Commission”), a part of the primary government of the State of Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statement, which collectively comprises the Commission’s basic financial statement, and have issued our report thereon dated February 19, 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 Commission for the year ended June 30, 2017, on the basis of accounting prescribed by Oklahoma State law as described in Note A. The report included an explanatory paragraph stating that the financial statement of the Commission 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 Commission.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Commission’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 opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Commission’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission’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 statement 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 limitation, 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 Commission's basic financial statement is free of 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 result of that testing, and not to provide an opinion on the effectiveness of the Commission'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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rose Rock CPAs PLLC

Edmond, Oklahoma
February 19, 2019