

AUDITED FINANCIAL STATEMENT

**UNIFORM BUILDING
CODE COMMISSION**

June 30, 2020

UNIFORM BUILDING CODE COMMISSION

June 30, 2020

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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 the 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, 2020, 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, 2020, 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, 2020, 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, 2020, 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 December 10, 2020, 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
December 10, 2020

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

UNIFORM BUILDING CODE COMMISSION

Year Ended June 30, 2020

RECEIPTS

Fees	\$	598,169
Refunds and reimbursements		<u>3,797</u>
TOTAL RECEIPTS		601,966

EXPENDITURES

Salary expenses	192,638
Insurance premiums – health, life, etc.	34,933
FICA and retirement contributions	45,829
Professional and legal services	134,136
Inter/intra agency payments – professional services	147
Travel – reimbursements	6,220
Travel – agency direct payments	35
Postage, telecommunication and misc. admin. expenses	8,198
Rent expenses	14,210
Maintenance and repair expenses	717
General operating expenses	415
Office furniture and equipment	8,128
Library equipment	12,298
Incentive awards	<u>227</u>
TOTAL EXPENDITURES	<u>458,131</u>

RECEIPTS OVER EXPENDITURES 143,835

CASH AT BEGINNING OF YEAR 977,775

CASH AT END OF YEAR \$ 1,121,610

See notes to financial statement.

NOTES TO THE FINANCIAL STATEMENT

UNIFORM BUILDING CODE COMMISSION

June 30, 2020

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, 2020, 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: Management has evaluated subsequent events through December 10, 2020, which is the date the financial statement was available to be issued, and determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statement.

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, 2020

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

Defined Benefit 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 ("DB 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, 2016.

The DB 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 DB Plan. OPERS issues a publicly available financial report that includes financial statements and required supplementary information for the DB 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 DB 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. State agency employers contribute 16.5% of total salary. The Commission's contributions to the DB Plan for the years ended June 30, 2020, 2019 and 2018 were \$24,517, \$24,417, and \$24,183, respectively. These contributions were equal to the contributions required.

Defined Contribution Plan Description: In 2015, new legislation directed OPERS to establish a defined contribution retirement system for members first employed on or after November 1, 2015. This new defined contribution 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. Participating employees in 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 Pathfinder members and the amount the participating employer would have contributed for a DB Plan member. The Commission's contributions to Pathfinder for the years ended June 30, 2020, 2019, and 2018 were \$2,728, \$2,612, and \$2,454, respectively.

NOTES TO THE FINANCIAL STATEMENT--CONTINUED

UNIFORM BUILDING CODE COMMISSION

June 30, 2020

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.

NOTE E--CONTINGENCIES

COVID-19 Pandemic

On January 30, 2020, the World Health Organization declared the coronavirus outbreak ("COVID-19") a "Public Health Emergency of International Concern," and on March 10, 2020, declared COVID-19 a pandemic. COVID-19 has resulted in a widespread health crisis that has adversely affected many organizations across the United States and many other countries, causing an economic downturn that could impact many organizations. Global stock markets have also experienced volatility during this pandemic. Due to the considerable uncertainty with the ongoing pandemic, the ultimate financial impact on the Commission cannot be reasonably estimated at this time.



**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, 2020, and the related notes to the financial statement, which collectively comprises the Commission’s basic financial statement, and have issued our report thereon dated December 10, 2020.

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, 2020, 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 opinion 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 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 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
December 10, 2020