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# Texas Municipal Retirement System Results of the December 31, 2015 Audit

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June 24, 2016

# Agenda

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# Management's Responsibilities

1. Adopting sound accounting policies.
2. Fairly presenting the financial statements, including disclosures, in conformity with GAAP.
3. Establishing and maintaining effective internal control over financial reporting (ICFR), including programs and controls to prevent, deter, and detect fraud.
4. Identifying and confirming that TMRS complies with laws and regulations applicable to its activities, and for informing the auditor of any known material violations of such laws and regulations.
5. Making all financial records and related information available to the auditor.
6. Providing unrestricted access to personnel within the entity from whom the auditor determines it necessary to obtain audit evidence.
7. Adjusting the financial statements to correct material misstatements.
8. Providing the auditor with a letter confirming certain representations made during the audit that includes, but are not limited to management's:
  - Disclosure of all significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect TMRS' financial reporting.
  - Acknowledgement of their responsibility for the design and implementation of programs and controls to prevent and detect fraud.
  - Affirming that the effects of any uncorrected misstatements aggregated by the auditor are immaterial, both individually and in the aggregate to the financial statements taken as a whole

# Board of Trustees' Responsibilities

## The Board of Trustees is responsible for:

- Oversight of the financial reporting process.
- Oversight of the establishment and maintenance by management of programs and internal controls designed to prevent, deter, and detect fraud.

## Management and the Board of Trustees are responsible for:

- Setting the proper tone and creating and maintaining a culture of honesty and high ethical standards.

*The audit of the financial statements does not relieve management or the Board of Trustees of their responsibilities.*

# KPMG's Responsibilities

1. Forming and expressing an opinion about whether the financial statements that have been prepared by management, with the oversight of the Board of Trustees, are presented fairly, in all material respects, in conformity with GAAP.
2. Planning and performing the audit with an attitude of professional skepticism.
3. Conducting the audit in accordance with professional standards and complying with the Code of Professional Conduct of the American Institute of Certified Public Accountants, and the ethical standards of relevant CPA societies and relevant state boards of accountancy.
4. Evaluating ICFR as a basis for designing audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the entity's ICFR.
5. Communicating to management and the Board of Trustees all required information, including significant matters.
6. Communicating to management and the Board of Trustees in writing all significant deficiencies and material weaknesses in internal control identified in the audit and reporting to management all deficiencies noted during our audit that are of sufficient importance to merit management's attention.



# Internal Controls and Adjustments

- Unmodified (clean) opinion
- There were no material weaknesses or significant deficiencies identified during the 2015 audit
- There were no significant corrected or uncorrected adjustments identified during the 2015 audit

# Significant Accounting Policies and Unusual Transactions

- The significant accounting policies used by TMRS are described in note 1 to the financial statements
- There were no unusual transactions
- There were no significant changes to TMRS' accounting policies during fiscal year 2015

# Management Judgments and Accounting Estimates

- Management's estimates in the financial statements include the actuarial information presented for the Supplemental Death Benefits Fund and for TMRS as employer
- We evaluated these estimates and determined that they were reasonable in relation to the financial statements taken as a whole



# Other Matters

|   |   |
|---|---|
| Other Information in Documents Containing Audited Financial Statements                                  | <i>Introductory, Other Supplementary Information, Investment, Actuarial, and Statistical sections of the CAFR</i> |
| Significant Difficulties Encountered in Dealing with Management Related to the Performance of the Audit | <i>None noted</i>   |
| Disagreements with Management   | <i>None noted</i>   |
| Management's Consultations With Other Accountants   | <i>None noted</i>   |
| Significant Issues that were Discussed or the Subject of Correspondence with Management                 | <i>None noted</i>   |
| Material Written Communication  | <i>Management representation letter</i>   |
| Other Findings or Issues Relevant Regarding Oversight of the Financial Reporting Process                | <i>None noted</i>   |



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