



December 20, 2022

Honorable Glenn Hegar  
Comptroller of Public Accounts of the State of Texas  
Texas Treasury Safekeeping Trust Company  
Austin, Texas

RSM US LLP

811 Barton Springs Rd  
Suite 500  
Austin, TX 78704  
T +1 512 476 0717  
F +1 512 476 0462  
[www.rsmus.com](http://www.rsmus.com)

Attention: Mr. Hegar

This letter is to inform the Comptroller of Public Accounts of the State of Texas of Texas Treasury Safekeeping Trust Company (Texas Trust), a component unit of the State of Texas about significant matters related to the conduct of our audit as of and for the year ended August 31, 2022, so that it can appropriately discharge its oversight responsibility and we comply with our professional responsibilities.

Auditing standards generally accepted in the United States of America (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

## Our Responsibilities With Regard to the Financial Statement Audit

Our responsibility under auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States have been described to you in our arrangement letter dated September 23, 2022. The audit of the basic financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

## Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication dated October 13, 2022, regarding the planned scope and timing of our audit and identified significant risks.

## Significant Accounting Practices, Including Policies, Estimates and Disclosures

In our meeting with you, we will discuss our views about the qualitative aspects of the Texas Trust's significant accounting practices, including significant accounting policies, significant unusual transactions, accounting estimates and financial statement disclosures. The following is a list of the matters that will be discussed, including the significant estimates, which you may wish to monitor for your oversight responsibilities of the financial reporting process:

- **Investment fair value:** Investments within the Texas Trust are reported at fair value based upon quoted market prices, or when quoted market prices are not readily determinable, other observable significant inputs including, but not limited to, quoted prices for similar securities, interest rates, net asset values of underlying securities and fixed income pricing models.

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- Pension Expense and Net Pension Asset/ Liability: Texas Trust participates in the Employee Retirement System of Texas (ERS), a statewide cost sharing multiple employer retirement system. Texas Trust's agent measures its pension expense and net pension asset/liability based on approved demographic and economic assumptions approved by the ERS Pension Plan. The measurement is used to record the pension expense, net pension asset/liability and related disclosures in its financial statements.
- Other Post Employment Benefit Expenses and Net OPEB Expense Asset/ Liability: Texas Trust participates in the ERS, a statewide cost sharing multiple employer other postemployment healthcare, life and dental insurance plan (OPEB). Texas Trust's agent measures its OPEB expense and net OPEB asset/liability based on approved demographic and economic assumptions approved by the ERS OPEB Plan. The measurement is used to record the OPEB expense, net OPEB asset/liability and related disclosures in its financial statements.

### **Audit Adjustments and Uncorrected Misstatements**

There were no audit adjustments made to the original trial balance presented to us to begin our audit.

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

### **Disagreements With Management**

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

### **Consultation With Other Accountants**

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

### **Significant Issues Discussed With Management**

No significant issues arising from the audit were discussed with or were the subject of correspondence with management.

### **Significant Difficulties Encountered in Performing the Audit**

We did not encounter any significant difficulties in dealing with management during the audit.

## Other Matters

### Expected Emphasis-of-Matter Paragraph

The Texas Trust financial statements present only the financial statements of Texas Trust and do not purport to, and do not, present fairly the financial position of the State of Texas. In light of this matter, we will include an emphasis-of-matter paragraph in the auditor's report. Below is a draft of the paragraph to be included in the auditor's report:

### Expected Other-Matter Paragraph

Other Matter paragraphs were included in the report related to required supplemental information, other supplemental information and other reporting required by *Government Auditing Standards*. In light of these matters, we will include other-matter paragraphs in the auditor's report. Below are the drafts of the paragraphs to be included in the auditor's report:

#### Other Matter

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes in Proportionate Share of the Net Pension Liability, Schedule of Contributions—Net Pension Liability, Schedule of Changes in Proportionate Share of the Net OPEB Liability, Schedule of Contributions—Net OPEB Liability and Notes to Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Texas Trust's basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2022, on our consideration of Texas Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Texas Trust's 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 Texas Trust's internal control over financial reporting and compliance.

## **Shared Responsibilities for Independence**

Independence is a **joint responsibility** and is managed most effectively when management, audit committees, and audit firms work together in considering compliance with AICPA and *Government Accountability Office* (GAO) independence rules. For RSM to fulfill its professional responsibility to maintain and monitor independence, management, the audit committee, and RSM each play an important role.

### **Our Responsibilities**

- AICPA and GAO rules require independence both of mind and in appearance when providing audit and other attestation services. RSM is to ensure that the AICPA and GAO's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.
- Maintain a system of quality control over compliance with independence rules and firm policies.

### **The Organization's Responsibilities**

- Timely inform RSM, before the effective date of transactions or other business changes, of the following:
  - New affiliates, directors, officers, or person in financial reporting and compliance oversight roles.
  - Changes in the reporting entity impacting affiliates such as component units.
- Provide necessary affiliate information such as new or updated structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.
- Understand and conclude on the permissibility, prior to the Texas Trust and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with RSM.
- Not entering into arrangements of nonaudit services resulting in RSM being involved in making management decisions on behalf of the Texas Trust.
- Not entering into relationships resulting in RSM, RSM covered persons or their close family members, temporarily or permanently acting as an officer, director, or person in an accounting, financial reporting or compliance oversight role at the Texas Trust.

## **Management Representations**

Attached is a copy of the management representation letter.

Honorable Glenn Hegar  
Comptroller of Public Accounts of the State of Texas  
Texas Treasury Safekeeping Trust Company  
December 20, 2022  
Page 5

## Closing

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to the Texas Trust.

This report is intended solely for the information and use of the Comptroller of Public Accounts of the State of Texas, management of Texas Trust and the State Auditor of Texas and is not intended to be, and should not be, used by anyone other than these specified parties.

*RSM US LLP*



December 20, 2022

RSM US LLP  
811 Barton Springs Road Suite 500  
Austin, Texas 78704

This representation letter is provided in connection with your audit of the financial statements of the business-type activities and fiduciary activities of the Texas Treasury Safekeeping Trust Company (Texas Trust), as of and for the year ended August 31, 2022 for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP)

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves, that as of December 20, 2022

#### **Financial Statements**

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated September 23, 2022, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation and maintenance of controls to prevent and detect fraud.
4. The methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in the context of U.S. GAAP, and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.

5. The methods, assumptions and data used to value investments and the pension and other post employment liabilities are as follows, and result in an estimate that is appropriate for financial statement measurement and disclosure purposes and have been consistently selected and applied in making the estimate:

Investments: Investments within Texas Trust are reported at fair value based upon quoted market prices, or when quoted market prices are not readily determinable, other observable significant inputs including, but not limited to, quoted prices for similar securities, interest rates, net asset values (NAVs) of underlying securities and fixed-income pricing models.

Pension expense and net pension asset/liability: Texas Trust participates in the Employees Retirement System of Texas (ERS), a statewide cost sharing multiple-employer retirement system. Texas Trust's agent measures its pension expense and net pension asset/liability based on approved demographic and economic assumptions approved by the Plan. The measurement is used to record the pension expense and net pension asset/liability in its financial statements and discloses the pension expense and net pension asset/liability in its financial statements.

OPEB expense and net OPEB asset/liability: Texas Trust participates in the ERS, a statewide cost sharing multiple-employer retirement postemployment health care, life and dental insurance. Texas Trust's agent measures its other post employee benefit (OPEB) expense and net OPEB asset/liability based on approved demographic and economic assumptions approved by the plan. The measurement is used to record the OPEB expense and net OPEB asset/liability in its financial statements and discloses the OPEB expense and net OPEB asset/liability in its financial statements

Significant judgments made in making the estimate have taken into account all relevant information of which we are aware. Appropriate specialized skills or expertise has been applied in making the estimate. The assumptions listed above properly reflect our intent and ability to carry out the specific courses of actions previously communicated to you on behalf of the Texas Trust. All disclosures related to the estimate, including disclosures describing estimation uncertainty, are complete and reasonable in the context of U.S. GAAP. No subsequent events have occurred that would require adjustment to the estimate and related disclosures included in the financial statements.

6. Related-party transactions have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
7. The financial statements include all fiduciary activities required by GASB Statement No. 84, *Fiduciary Activities*, as amended.
8. There are no events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.
9. There are no known actual or possible litigation and claims that have been accounted for and disclosed in accordance with U.S. GAAP.
10. Management has followed applicable laws and regulations in adopting, approving and amending budgets.
11. Risk disclosures associated with deposit and investment securities and derivative transactions are presented in accordance with GASB requirements.
12. Provisions for uncollectible receivables have been properly identified and recorded.

13. Capital assets, including infrastructure, intangible assets, and right of use assets are properly capitalized, reported and, if applicable, depreciated.
14. Components of net position (net investment in capital assets, restricted, and unrestricted) are properly classified and, if applicable, approved.
15. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
16. We have no direct or indirect legal or moral obligation for any debt of any organization, public or private, that is not disclosed in the financial statements.
17. We have complied with all aspects of laws, regulations and provisions of contracts and agreements that would have a material effect on the financial statements in the event of noncompliance. We have disclosed all instances of identified or suspected noncompliance with laws, regulations, and provisions of contracts and grant agreements whose effects should be considered by management when preparing the financial statements. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act because we have not received, expended or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.
18. We have reviewed the GASB Statements effective for the fiscal year ending August 31, 2022, and concluded the implementation of the following Statements did not have a material impact on the basic financial statements:
  - a. GASB Statement No. 87, *Leases*
19. We have no knowledge of any uncorrected misstatements in the financial statements.
20. We have requested an unsecured electronic copy of the auditor's report basic financial statements and agree that the auditor's report and the basic financial statements will not be modified in any manner.

**Information Provided**

21. We have provided you with:
  - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the Texas Trust basic financial statements such as records, documentation and other matters.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the Texas Trust from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of the governing board and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
22. All transactions have been recorded in the accounting records and are reflected in the basic financial statements.
23. We have disclosed to you the results of our assessment of risk that the basic financial statements may be materially misstated as a result of fraud.



24. It is our responsibility to establish and maintain internal control over financial reporting. One of the components of an entity's system of internal control is risk assessment. We hereby represent that our risk assessment process includes identification and assessment of risks of material misstatement due to fraud. We have shared with you our fraud risk assessment, including a description of the risks, our assessment of the magnitude and likelihood of misstatements arising from those risks, and the controls that we have designed and implemented in response to those risks.
25. We have no knowledge of allegations of fraud or suspected fraud affecting the Texas Trust's basic financial statements involving:
  - a. Management.
  - b. Employees who have significant roles in internal control.
  - c. Others where the fraud could have a material effect on the basic financial statements.
26. We have no knowledge of any allegations of fraud or suspected fraud affecting the Texas Trust's basic financial statements received in communications from employees, former employees, analysts, or others.
27. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations.
28. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
29. We have disclosed to you the identity of all of the Texas Trust's related parties and all the related-party relationships and transactions of which we are aware.
30. We are aware of no deficiencies in internal control over financial reporting, including significant deficiencies or material weaknesses, in the design or operation of internal controls that could adversely affect the Texas Trust's ability to record, process, summarize and report financial data.
31. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
32. We have made you aware, to the best of our knowledge and belief, of any nonaudit services that the Texas Trust or any of our affiliates has engaged RSM US LLP or any of its associated entities to perform.
33. We agree with the findings of the specialists in evaluating the net pension liability and net other post employment liability, related pension expense, OPEB expense, deferred outflows, deferred inflows and related disclosures and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give instructions, or cause any instructions to be given, to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
34. We believe that the actuarial assumptions and methods used by the actuary for funding purposes and for determining accumulated plan benefits are appropriate in the circumstances. We did not give instructions, or cause any instructions to be given, to the actuary with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the plan's actuary.

35. We believe that the information obtained from the audited financial statements of and other participant information provided by Employees Retirement System of Texas is appropriate in the circumstances. We did not give instructions, or cause any instructions to be given, to the plan or its auditor in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the plan or its auditor.
36. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

### **Supplementary Information**

37. With respect to supplementary information presented in relation to the basic financial statements as a whole:
  - e. We acknowledge our responsibility for the presentation of such information.
  - f. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP.
  - g. The methods of measurement or presentation have not changed from those used in the prior period.
  - h. When supplementary information is not presented with the audited basic financial statements, we will make the audited basic financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.
38. With respect to Management's Discussion and Analysis, the Schedule of Changes in Proportionate Share of the Net Pension Liability, the Schedule of Contributions-Net Pension Liability, Schedule of Changes in Proportionate Share of the Net OPEB Liability, and Schedule of Contributions-Net OPEB Liability presented as required by GASB. The Supplementary Information to supplement the basic financial statements:
  - i. We acknowledge our responsibility for the presentation of such required supplementary information.
  - j. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.
  - k. The methods of measurement or presentation have not changed from those used in the prior period.
  - l. The following are underlying significant assumptions or interpretations regarding the measurement or presentation of such information:


The underlying significant assumptions or interpretations regarding the measurement or presentation of such information include the actuarial assumptions for the pension plan and OPEB plan.

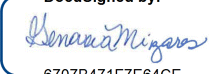
### Compliance Considerations

In connection with your audit conducted in accordance with *Government Auditing Standards*, we confirm that management:

39. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
40. Is responsible for compliance with the laws, regulations and provisions of contracts and grant agreements applicable to the auditee.
41. Is not aware of any instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that have a material effect on the financial statements.
42. Is responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
43. Acknowledges its responsibility for the design, implementation and maintenance of controls to prevent and detect fraud.
44. Has a process to track the status of audit findings and recommendations.
45. Is not aware of any investigations or legal proceedings that have been initiated with respect to the period under audit.
46. Acknowledges its responsibilities as it relates to non-audit services performed by the auditor, including that it assumes all management responsibilities; that it oversees the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge or experience; that it evaluates the adequacy and results of the services performed; and that it accepts responsibility for the results of the services.]

Texas Treasury Safekeeping Trust Company

DocuSigned by:  
  
EC0299EEFDCF4E9...  
Mike Reissig  
Chief Executive Officer

DocuSigned by:  
  
6707B471E7E84CE  
Genoveva Minjares  
Chief Financial Officer