



RSM US LLP

811 Barton Springs Rd
Suite 550
Austin, TX 78704

T +1 512 476 0717
F +1 512 476 0462

www.rsmus.com

December 15, 2020

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

Dear Mr. Hegar

This letter is to inform the Comptroller of Public Accounts of the State of Texas about significant matters related to the conduct of our audit of Texas Treasury Safekeeping Trust Company (Texas Trust) as of and for the year ended August 31, 2020, so that it can appropriately discharge its oversight responsibility and we comply with our professional responsibilities.

Generally accepted auditing standards (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 June 29, 2020. 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 June 29, 2020 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 Texas Trust's significant accounting practices, including accounting policies, 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:

- Adoption of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*
- Fair value measurements of the individual investment securities within the investment portfolio

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

Honorable Glenn Hegar
Comptroller of Public Accounts of the State of Texas
Texas Treasury Safekeeping Trust Company
December 15, 2020
Page 2

- Pension expense and net pension liability
- Other postemployment benefits (OPEB) expense and net OPEB liability

Adoption of GASB Statement No. 84: Effective September 1, 2019, Texas Trust adopted new accounting guidance by implementing the provisions of GASB Statement No. 84, which establishes criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in changing the presentation of the financial statements by presenting a Statement of Changes in Fiduciary Net Position—Fiduciary Funds which includes additions, deductions, beginning and ending net position held in trust for other government. This statement was not previously required. As a result of the adoption of GASB 84, Texas Trust reclassified Funds held for others, previously reported in the Statement of Fiduciary Net Position – Agency Fund, under Liabilities, to Net position held in trust for other governments at beginning of year and reported this in the Statement of Changes in Fiduciary Net Position—Fiduciary Funds.

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.

Management Representations

Attached is a copy of the management representation letter.

Internal Control Matters

We have separately issued a 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*, which is included in Texas Trust's financial statements.

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 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 15, 2020

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

This representation letter is provided in connection with your audit of the of the basic financial statements of the Texas Treasury Safekeeping Trust Company (Texas Trust), as of and for the year ended August 31, 2020, 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, that as of the date of this letter:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated June 29, 2020, 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 internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable 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. 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.
6. 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.
7. There is no known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.

RSM US LLP
December 15, 2020
Page 2

8. We have no direct or indirect legal or moral obligation for any debt of any organization, public or private.
9. 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. 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.
10. We have no knowledge of any uncorrected misstatements in the financial statements.
11. We believe that the information obtained from the audited financial statements of and other participant information provided by Employees Retirement System of Texas Plan (Plan) 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:

Information Provided

12. 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 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.
13. All transactions have been recorded in the accounting records and are reflected in financial statements.
14. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
15. It is our responsibility to establish and maintain internal control over financial reporting. One of the components 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.
16. We have no knowledge of allegations of fraud or suspected fraud affecting the Texas Trust's financial statements involving:
 - a. Management.
 - b. Employees who have significant roles in internal control.

RSM US LLP
December 15, 2020
Page 3

- c. Others where the fraud could have a material effect on the financial statements.
- 17. We have no knowledge of any allegations of fraud or suspected fraud affecting the Texas Trust's financial statements received in communications from employees, former employees, analysts, regulators, short sellers or others.
- 18. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations.
- 19. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation or claims.
- 20. We have disclosed to you the identity of the Texas Trust's related parties and all the related-party relationships and transactions of which we are aware.
- 21. We are aware of no significant deficiencies, including 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.
- 22. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 23. 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

- 24. With respect to supplementary information presented in relation to the financial statements as a whole:
 - a. We acknowledge our responsibility for the presentation of such information.
 - b. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. When supplementary information is not presented with the audited financial statements, we will make the audited 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.
- 25. 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, all presented as required by GASB to supplement the basic financial statements:
 - a. We acknowledge our responsibility for the presentation of such required supplementary information.

RSM US LLP
December 15, 2020
Page 4

- b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.
- c. The methods of measurement or presentation have not changed from those used in the prior period.
- d. 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:

- 26. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
- 27. Is responsible for compliance with the laws, regulations and provisions of contracts and grant agreements applicable to the Texas Trust.
- 28. Is not aware of any instances that have occurred, or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 29. Is not aware of any instances that have occurred, or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts.
- 30. Is not aware of any instances that have occurred, or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements.
- 31. 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.
- 32. Acknowledges its responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud.
- 33. There was no fraud; noncompliance with provisions of laws, regulations, contracts and grant agreements; or abuse reported by the auditor. If any had been reported, management would take timely and appropriate steps to remedy fraud; noncompliance with provisions of laws, regulations, contracts and grant agreements; or abuse that the auditor reports.
- 34. Has a process to track the status of audit findings and recommendations.
- 35. Has identified for the auditor previous audits, attestation engagements and other studies related to the audit objectives and whether related recommendations have been implemented.

RSM US LLP
December 15, 2020
Page 5

36. Has provided views on the auditor's reported findings, conclusions and recommendations, as well as management's planned corrective actions, for the report, if applicable.
37. Acknowledges its responsibilities as it relates to non-audit services performed by the auditor, including a statement 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. Ms. Genoveva Minjares, Chief Financial Officer, assumed these responsibilities.

Texas Treasury Safekeeping Trust Company

DocuSigned by:

EC0299EEFDCF4E9...

Mike Reissig
Chief Executive Officer

DocuSigned by:

6707B471F7E64CE...

Genoveva Minjares
Chief Financial Officer