

# **Oklahoma Municipal Retirement Fund**

*The Auditors' Communication with  
Those Charged with Governance*

June 30, 2014



December 19, 2014

To the Board of Trustees of  
the Oklahoma Municipal Retirement Fund

We have audited the financial statements the Oklahoma Municipal Retirement Fund (the "Fund") as of and for the year ended June 30, 2014, and have issued our report thereon dated December 19, 2014. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated January 22, 2014. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Fund are described in Note 1 to the financial statements. The Fund adopted new accounting guidance during the year ended June 30, 2014, as noted below. We noted no transactions entered into by the Fund during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

In March 2012, the Governmental Accounting Standards Board issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). The objective of GASB 65 is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Fund adopted this statement effective July 1, 2013. The adoption had no significant impact on the Fund's financial statements. Presently, the Fund has no items of deferred outflows of resources or deferred inflows of resources to be reported.

**Significant Audit Findings, Continued**

*Qualitative Aspects of Accounting Practices, Continued*

In March 2012, GASB issued Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62* (GASB 66). GASB 66 improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Fund adopted this statement effective July 1, 2013. The adoption had no significant impact on the financial statements of the Fund.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25* (GASB 67). GASB 67 addresses reporting by pension plans that administer benefits for governments and outlines basic framework for the separately issued financial reports of defined benefit pension plans, and details note disclosure requirements for defined benefit and defined contribution pension plans. The Fund adopted GASB 67 effective July 1, 2013. The adoption changed various reporting terminology, footnote disclosures, and required supplementary information to be disclosed.

In April 2013, GASB issued Statement No 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* (GASB 70). GASB 70 will require a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range. A government that has issued an obligation guaranteed in a nonexchange transaction is to report the obligation until legally released as an obligor. This statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units. This statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. This statement requires new information to be disclosed by governments that receive nonexchange financial guarantees. The Fund adopted this statement effective July 1, 2013. The adoption had no significant impact on the financial statements of the Fund.

### **Significant Audit Findings, Continued**

#### *Qualitative Aspects of Accounting Practices, Continued*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimates of the market values of investments are based on the investment custodian. We evaluated the key factors and assumptions used to develop the estimates of the market values of investments and determined that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

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

We encountered no difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Significant Audit Findings, Continued**

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 19, 2014.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Fund’s financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Fund’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Other Matters**

We applied certain limited procedures to management’s discussion and analysis and the schedule of investment returns, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

**Other Matters, Continued**

We were engaged to report on the analysis of fund ownership for defined contribution plans, which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

**Other Required Communications**

We as independent auditors are required to:

- a. Communicate significant deficiencies and material weaknesses in internal control to the audit committee or its equivalent.
- b. Report directly to the audit committee (or equivalent) any fraud that causes a material misstatement of the financial statements and any fraud involving senior management. Fraud perpetrated by lower-level employees is also to be reported if it resulted in an individually significant misstatement.
- c. Report illegal acts that come to our attention (except those that are clearly inconsequential).

We have nothing to report.

**Other Procedures**

In conducting our audit, we selected 533 individual participant accounts for testing. The following is a summary of the testwork performed, with comparative totals for 2013:

	<u>2014</u>	<u>2013</u>
Tax testwork	30	30
Positive confirmations of distributions to participants	335	103
Positive confirmations of loans to participants	25	25
General file documentation	25	60
Distribution check endorsement	36	34
Benefit recalculations	<u>82</u>	<u>30</u>
	<u>533</u>	<u>282</u>

Of the 335 participant account distribution confirmations, 258 were received without exception. For those not received, general file testwork or benefit recalculations were performed. In addition to the individual participant accounts, we also sent positive confirmations to 120 towns/cities that participated in the Fund during the year.

No material discrepancies were noted.

**Restriction on Use**

This information is intended solely for the information and use of the Board of Trustees and management of the Fund and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

FINLEY & COOK, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS



Nathan Atchison  
Partner

**OKLAHOMA MUNICIPAL RETIREMENT FUND**

**SUMMARY OF UNCORRECTED FINANCIAL STATEMENT MISSTATEMENTS**

---

*June 30, 2014*

---

**None.**