

To the Board of Trustees
Oklahoma City Employee Retirement System
Oklahoma City, Oklahoma

We are pleased to present this report related to our audit of the financial statements of the Oklahoma City Employee Retirement System (System), a fiduciary component unit of the City of Oklahoma City, as of and for the year ended June 30, 2023. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the System's financial reporting process.

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.

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

Our governance letter addressed to the Mayor and City Council of the city of Oklahoma City (City), issued in connection with our financial statement audit of the City, includes information on pending Governmental Auditing Standards Board statements yet to be implemented by the System as well as additional comments and suggestions related to cybersecurity risks, comprehensive policy and procedure reviews and various AGH resources. A copy of the City's governance letter may be obtained from the City's Finance Department, Accounting Services Division, at 100 North Walker, Suite 300, Oklahoma City, OK 73102.

The following summarizes various matters that must be communicated to you under auditing standards generally accepted in the United States of America.

Our Responsibilities with Regard to the Financial Statement and Compliance Audit

Our responsibilities 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 May 11, 2023. Our audit of the 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 August 16, 2023 regarding the planned scope and timing of our audit and identified significant risks. We made no significant changes to the scope or timing of our procedures.

Accounting Policies and Practices

Preferability of Accounting Policies and Practices - Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Adoption of, or Change in, Accounting Policies - Management has the ultimate responsibility for the appropriateness of the accounting policies used by the System. The System did not adopt any

significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.

Significant Accounting Policies - We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant or Unusual Transactions - We did not identify any significant or unusual transactions.

Management's Judgments and Accounting Estimates - Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following summarizes the significant accounting estimates reflected in the System's financial statements.

- *Fair Value of Investments*: The System reports investments at fair value. Fair values are estimated as follows:
 - Money market funds are reported at cost which approximates fair value and are traded on active markets at quoted prices.
 - Judgments and certificates of deposit fair value approximate cost and therefore do not report a fair value measurement.
 - Government securities consist of U.S. Treasury strips, U.S. Treasury bonds, U.S. Treasury TIPS, Federal Agency notes, Ginnie Mae notes, and Small Business Administration Loans. These securities use pricing models that maximize the use of observable inputs for similar securities.
 - International stocks are traded on active markets at quoted prices and are valued at level 1.
 - Corporate obligations consist of domestic and international corporate bonds and are valued using pricing models maximizing the use of observable inputs for similar securities which includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.
 - Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the System include open-end mutual funds and are required to publish their daily values and to transact at that price. The mutual funds held by the System are deemed to be actively traded. Investments in various mutual funds include equity funds, bond funds, and outside common trust funds.
 - The System invests in comingled funds and limited partnerships which are valued at net asset value (NAV). The NAV, as provided by the trustee, is used as a practical expedient to estimate the fair value. The NAV is based on the fair value of the underlying investments held by the fund and other various methods are used to value these securities.
 - Other investments consist of foreign government obligations and asset backed obligations. Foreign government obligations and asset backed obligations are valued using inputs of quoted prices of similar securities.

As a basis for our conclusions, we also selected a sample of investments held at year end and obtained independent third-party estimates of fair value.

- *Total Pension Liability*: The total pension liability under GASB 67 is the portion of the actuarial present value of projected benefit payments that is attributed to past periods of plan member service. The System contracts with an external actuary to develop the estimate for the total

pension liability for each plan. The valuations performed by the external actuary incorporate a number of assumptions, including among others, a long-term expected rate of return on investments, discount rate, mortality, projected salary increases, and assumptions related to increases in benefits.

As a basis for our conclusions, we performed procedures to test the completeness and accuracy of information provided to the actuary as a basis for their calculations. We also obtained an understanding of the methods and assumptions used by the actuary, evaluating them for compliance with GASB 67.

Audit Adjustments

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

Uncorrected Misstatements

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

Management Representations

In connection with our audit procedures, we have obtained a written management representation letter. This representation letter constitutes written acknowledgments by management that it has the primary responsibility for the fair presentation of the financial statements in conformity with generally accepted accounting principles and also includes the more significant and specific oral representations made by officers and employees during the course of the audit. The letter is intended to reduce the possibility of misunderstandings between us and the System and reminds the signing officers to consider seriously whether all material liabilities, commitments and contingencies or other important financial information have been brought to our attention.

Other Information Included in Annual Reports

Our responsibility for other information included in annual reports is to read the information and consider whether its content or the manner of its presentation is materially inconsistent with the financial information covered by our auditor's report, whether it contains a material misstatement of fact or whether the other information is otherwise misleading. We read the System's introductory, investment, actuarial and statistical sections. We did not identify material inconsistencies with the audited basic financial statements.

Observations About the Audit Process

We did not discuss with management any alternative treatments within generally accepted accounting principles for accounting policies and practices related to material items during the current audit year; 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; we are not aware of any consultations management had with other accountants about accounting or auditing matters; no significant issues arising from the audit were discussed or the subject of correspondence with management; we did not encounter any difficulties in dealing with management relating to the performance of the audit; and we did not encounter any significant and difficult or contentious matters that required consultation outside the engagement team.

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 Allen, Gibbs & Houlik, L.C. (AGH) to fulfill its professional responsibility to maintain and monitor independence, management, the audit committee, and AGH 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. AGH 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 System's Responsibilities

- Timely inform AGH, before the effective date of transactions or other business changes, of the following:
 - New affiliates, directors, officers, or persons in financial reporting and compliance oversight roles.
 - Changes in the reporting entity impacting affiliates such as subsidiaries, partnerships, related entities, investments, joint ventures, component units, and jointly governed organizations.
- 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 System and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with AGH.
- Not entering into arrangements of nonaudit services resulting in AGH being involved in making management decisions on behalf of the System.
- Not entering into relationships resulting in AGH, AGH 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 System.

Closing

We will be pleased to respond to any questions you have about this report or set up an introductory meeting to discuss the other recommendations at no charge. We appreciate the opportunity to continue to be of service to the Oklahoma City Employee Retirement System.

Allen, Gibbs & Houlik, L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Wichita, KS
December 5, 2023