



## **Audits & Risk Management Committee**

### **Item Number 5a – Open Session**

**Subject:** CalSTRS Independent Financial Statement Auditor Reports for the Year Ended June 30, 2023 – Basic Financial Statements, Required Supplementary Information, and Other Supplementary Information

**Presenter(s):** Crowe LLP – Kevin Smith, Jen Aras & Dan O’Malley

**Item Type:** Action

**Date & Time:** November 2, 2023 – 30 minutes

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**Attachment(s):** Attachment 1 – Independent Auditor’s Report

Attachment 2 – Auditor’s Communication to Those Charged with Governance

Attachment 3 – Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters

Attachment 4 – Proposed Resolution

**PowerPoint(s):** Annual Independent Financial Statement Audits

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#### **Item Purpose**

The purpose of this item is to provide the reports prepared by the Teachers’ Retirement Board’s (Board) independent financial statement auditor, Crowe LLP, for the audit of CalSTRS Basic Financial Statements, Required Supplementary Information, and Other Supplementary Information.

#### **Recommendation**

Staff recommends the Audits and Risk Management Committee (ARM committee) accept the following reports and adopt the Proposed Resolution (Attachment 4) for the audit of CalSTRS Basic Financial Statements, Required Supplementary Information, and Other Supplementary Information.

- 1) The Independent Auditor’s Report (Attachment 1)
- 2) Auditor’s Communication with Those Charged with Governance (Attachment 2)

- 3) The Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters (Attachment 3)

### **Executive Summary**

Management is responsible for the financial statement preparation in accordance with generally accepted accounting principles and presents the basic financial statements to the Teachers’ Retirement Board annually. The Board’s independent financial statement auditor, Crowe LLP, is responsible for expressing an opinion in their prepared report on these financial statements based on the results of the audit. Crowe LLP performed an audit of CalSTRS’ basic financial statements for the year ended June 30, 2023, and prepared the following reports:

### **Independent Auditor’s Report**

The Independent Auditor’s Report and accompanying basic financial statements of CalSTRS include the following opinion issued by Crowe LLP (Attachment 1):

“In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of California State Teachers’ Retirement System as of June 30, 2023, and the changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.”

This report also outlines the roles and responsibilities of management for the preparation and fair presentation of the financial statements along with the role of the auditor for expressing an opinion.

### **Auditor’s Communication with Those Charged with Governance**

This report is intended to inform those charged with governance of matters related to the financial statement audit that, in the judgement of the auditors, are significant and relevant to the committee’s and the board’s responsibilities in overseeing the financial reporting process. The Auditor’s Communication with Those Charged with Governance (Attachment 2) covers the following topics:

- Auditor’s responsibility under auditing standards generally accepted in the United States of America
- Auditor’s responsibility under government auditing standards
- Planned scope and timing of the audit
- Significant accounting policies and management judgments and accounting estimates
- Auditor’s judgment about qualitative aspects of significant accounting practices
- Corrected and uncorrected misstatements
- Other communications.

### **Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters**

This report describes the scope and result of Crowe LLP’s testing of internal control and compliance. The report does not provide an opinion on the effectiveness of CalSTRS’ internal control or on compliance. CalSTRS management is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement. Crowe LLP considers CalSTRS’ internal control over financial reporting as a basis for designing audit procedures appropriate in the circumstances for the purpose of expressing an opinion on the basic financial statements.

During the audit, the auditor may identify a deficiency in internal control. A deficiency in internal control exists when the design or operation of a control does not allow management or staff, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. Any material weakness and significant deficiencies in internal control are included in the Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters (Attachment 3). Crowe did not identify any material weaknesses or significant deficiencies in internal controls over financial reporting for the year ended June 30, 2023.

Representatives of Crowe LLP will provide an overview of each report listed above to the Committee.

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Strategic Plan Linkage: [Strategic Plan - CalSTRS](#)

Board Policy Linkage: [Board Governance Manual \(calstrs.com\)](#)

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