Howard County and Police and Fire Employees' Retirement Plans Audit Results Year Ended June 30, 2019

Presentation of the Audited Financial Statements

December 5, 2019

Keith Novak, Principal
Cheri King, Director

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor

Create Opportunities

About CLA

- CLA is the eighth largest public accounting firm in the United States
- Industry-focused firm
- Specialize in state and local government, including state and local pension plans
- Provide services to over seventy plans throughout the Country, including fifteen of the top thirty plans
  - Plans range in size up to $450 billion in assets

Presentation Agenda

- Audit Approach
- Responsibilities
- Summary of Audit Results
- Other Governance Communication
- GASB Update
- Questions

Audit Approach

- Risk-based approach
  - Concentrate efforts on areas of higher risk
- Areas of higher risk:
  - Investments
  - Contributions
  - Benefit payments
  - Participant data
- Internal Control testing
- Substantive testing
- Use of sampling techniques

Responsibilities in a Financial Statement Audit

- Management
  - Preparation of financial statements
  - Selection of accounting policies
  - Design and implementation of internal controls over financial reporting
- Auditors
  - Perform an audit in accordance with Generally Accepted Auditing Standards (GAAS) and Generally Accepted Government Auditing Standards (GAGAS)
  - Issue auditors' opinion and required reports
- Those Charged with Governance
  - Oversight of the audit process

Our Responsibilities under GAAS

- We are responsible for:
  - Expressing an opinion on whether financial statements are presented fairly in conformity with U.S. Generally Accepted Accounting Principles in all material respects.
  - Expressing an opinion only over the financial statements identified in our report. Other information included in your financial statement package was read/reviewed, but not subject to audit testing.
    - ◊ Management Discussion and Analysis
    - ◊ Schedule of Changes in Net Pension Liability
    - ◊ Schedule of County Contributions
    - ◊ Schedule of Investment Returns
  - Performing audit in accordance with required auditing standards
  - Communication of significant matters related to the audit, including information required by law/regulations.

Our Responsibilities under GAAS *(continued)*

An audit in accordance with GAAS:

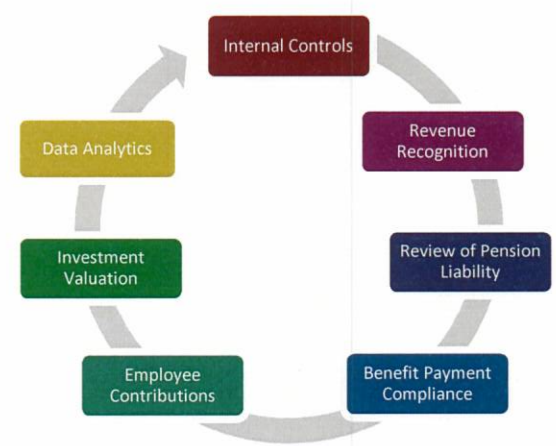
- Does not relieve management of its responsibilities to prepare the financial statements in accordance with generally accepted accounting principles (GAAP)
- Includes consideration of internal control as basis for audit procedures, but not to opine on effectiveness of internal controls. Management is responsible for designing and implementing internal controls over financial reporting and compliance.
- Does not guarantee that internal controls will continue to function in the future.

Audit Results: Key Audit Areas

- Auditors' Opinion on Financial Statements
  - Unmodified

Time spent understanding and testing each audit area, commensurate with the level of assessed risk:

- Cash and investments (existence and valuation)
  - Additional procedures for Alternative Investments
- Revenue recognition and cutoff - employee contributions
- Compliance with plan - benefit payments
- Administrative expense reviews
- Financial statement disclosures



Governance Communication

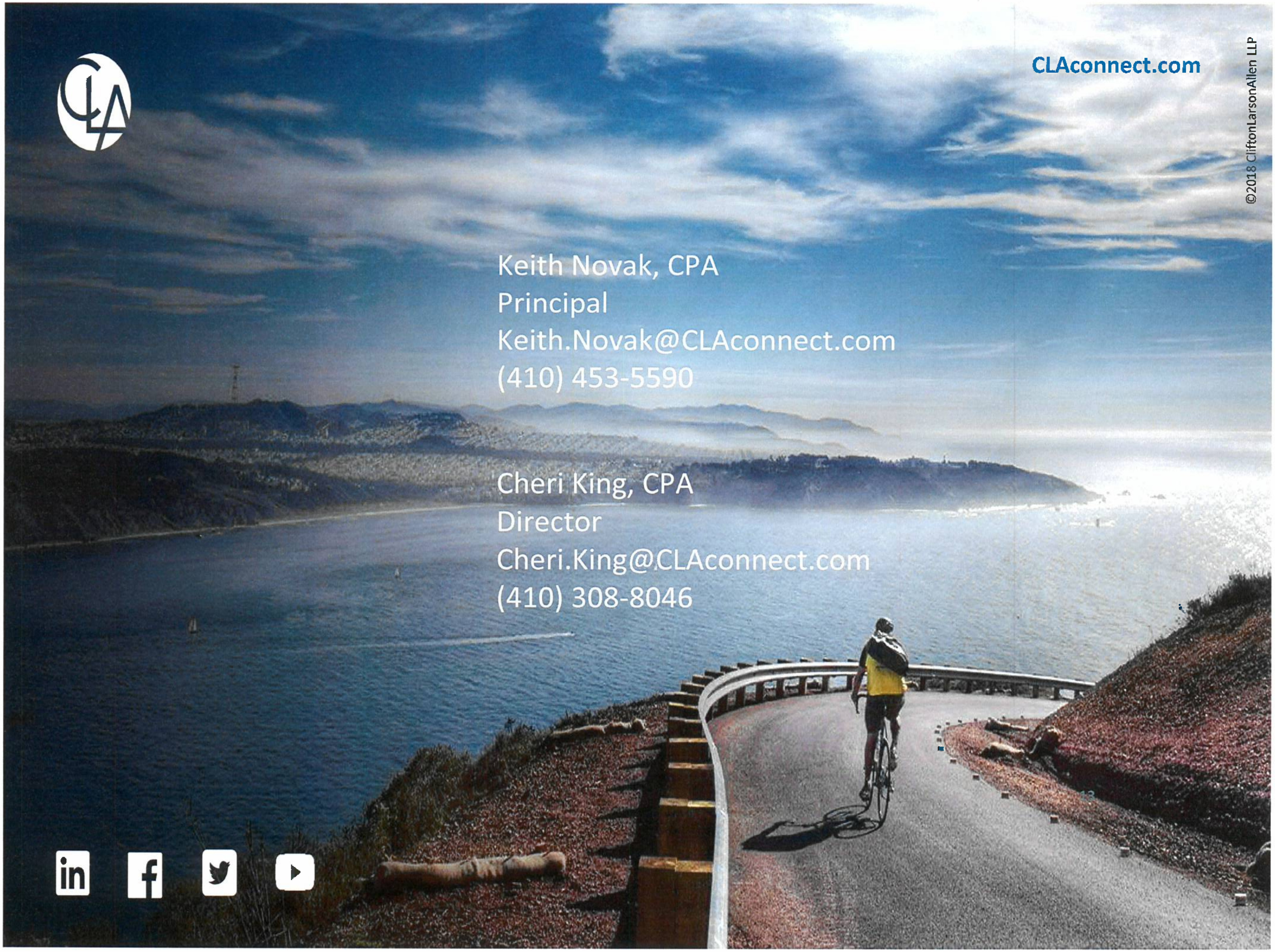
- Accounting policies remained consistent with prior years
- Accounting estimates
  - Valuation of investments, including alternatives
  - Net pension liability
- Financial statement disclosures – no new disclosures
- No corrected misstatements identified
- No uncorrected misstatements identified
- No disagreements with management

Governance Communication *(continued)*

- Management was very cooperative and professional during the audit process
- Management did not consult with other accountants on the application of GAAP or GASB
- No major issues were discussed with management prior to us being selected as the auditors – audit was awarded as part of a competitive bid process
- Other information – required supplementary information (MD&A and Schedules)
  - No opinion is given; however, information is reviewed for consistency with the financial statements

GASB Update

- No expected changes affecting public pension plan accounting or reporting is expected


CLAconnect.com
Keith Novak, CPA
Principal
Keith.Novak@CLAconnect.com
(410) 453-5590
Cheri King, CPA
Director
Cheri.King@CLAconnect.com
(410) 308-8046