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2018 Audit Wrap Up Presentation and Discussion

Employees' Retirement Fund of the City of Dallas

Audit Timeline & Scope

February – March 2019	Client continuance/Planning	• Client continuance procedures • Independence verification • Materiality determination
March – April 2019	Preliminary risk assessment procedures/Interim fieldwork	• Significant Risks Identified • Inquiries of management • Developed an audit plan that addresses risk areas
April – June 2019	Final fieldwork	• Performed final phase of audit and year-end fieldwork procedures (see subsequent slides for details)
June - July 2019	Deliverables	• Issuance of Financial Statements • Present Results of Audit

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Areas of Audit Focus

The following provides an overview of the areas of significant audit focus based on our risk assessments.

Areas of focus	Results
Investments	Confirmation with Fund's custodian (Northern Trust) and investment managers. Verification of fair value: • Market quotes for equities and fixed-income securities. • Recalculation of net assets value from audited financial statements for private equity, real estate, and commingled index funds. • Test leveling of Investments, confirm with Harvest Investments • Use GT's internal Pricing Group (NYPG) to test fair value of investments
Participant Benefits	Examination of benefits on a test basis. Test of eligibility of participants.
Actuarial Valuation	Review of assumptions and methodology used by actuary. Use GT's internal Compensation and Benefits Group to review actuarial assumptions and methodology Test of census data used in the calculation for accuracy. Review related disclosures.

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Use of Work of Others

Specialists
GT firm actuary reviews the actuarial valuation reports prepared by Gabriel Roeder Smith & Company.
GT consults with our pricing group to assist with the valuation of selected investments.
GT consults with Harvest Investments to review the fair value leveling of investments in accordance with GASB 72
Subcontractor
As part of our commitment to participation of minority-owned firms, we engaged Owens & Thurman, PC to perform audit procedures under our direction.

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Other Required Communications

Professional standards require that we communicate the following matters to you, as applicable.

Going concern matters
Fraud and noncompliance with laws and regulations
Significant deficiencies and material weaknesses in internal control over financial reporting
Use of other auditors
Use of internal audit
Related parties and related party transactions

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Other Required Communications
(continued)

Disagreements with management
Management's consultations with other accountants
Significant issues discussed with management
Significant difficulties encountered during the audit
Other significant findings or issues that are relevant to you and your oversight responsibilities
Modifications to the auditor's report
Other information in documents containing audited financial statements

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Quality of Accounting Practices

Accounting policies	Accounting policies were consistent and appropriate in their application.
Accounting estimates	Actuarially determined amounts, including net pension liability and changes in net pension liability. Fair value of investments, including private equity and real estate. We perform tests to satisfy ourselves that these amounts are free from material misstatement.
Disclosures	Disclosures are consistent and appropriate in their application.

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Internal Controls Matters

Responsibility

We are responsible for obtaining reasonable assurance about whether the financial statements are free of material misstatement. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the ERF's internal control. Accordingly, we express no such opinion. Control deficiencies that are of a lesser magnitude than a significant deficiency will be communicated to management.

Definitions

- A deficiency in internal control ("control deficiency") exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect, misstatements on a timely basis.
- A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's annual or interim financial statements will not be prevented or detected on a timely basis.

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https://secure.ethicspoint.com/domain/en/report_custom.asp?clientid=15191

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This communication is intended solely for the information and use of management and those charged with governance of Employees' Retirement Fund of the City of Dallas and is not intended to be and should not be used by anyone other than these specified parties.

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