

Merced County Employees' Retirement Association



Board of Retirement Presentation of the Results of the June 30, 2022 Year-End Financial Statement Audit

BROWN ARMSTRONG ACCOUNTANCY CORPORATION

4200 Truxtun Avenue, Suite 300 Bakersfield, CA 93309 | 661.324.4971 | Fax 661.324.4997

www.ba.cpa | Contacts: Andrew J. Paulden, CPA | apaulden@ba.cpa Paul Sahota, CPA | psahota@ba.cpa



January 26, 2023

The Board of Retirement of the
Merced County Employees' Retirement Association
3199 M Street
Merced, California 95348

We are pleased to present to you the results of our audit of the Merced County Employees' Retirement Association (MercedCERA) financial statements for the year ended June 30, 2022.

We look forward to presenting the results of the audit and addressing your questions.

Sincerely,

Andrew J. Paulden, CPA
Partner



AGENDA

	<u>Page</u>
➤ Scope of Services Recap	4
➤ Audit Timeline/Critical Dates List	5
➤ Audit Areas of Focus	6
○ Significant Risk Areas	7
○ Significant Audit Areas	7
➤ Results of the Audit	9
○ Required Audit Reports Issued	9
➤ Financial Statement Review	10
➤ Thank Staff/Questions?	11

SCOPE OF SERVICES RECAP

- ❖ Audit of MercedCERA's financial statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States
- ❖ Other communication and reports required by professional standards including:
 - Required Communication at the Conclusion of an Audit in Accordance with Professional Standards (SAS 114 Letter)
 - Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

AUDIT TIMELINE/CRITICAL DATES LIST

- First Week of Fieldwork – July 11, 2022
 - Remote Testing of Internal Controls
 - Walkthroughs and Understanding of Key Accounting Areas
 - Update Minutes and Agreements
- Second Week of Fieldwork – August 26, 2022
 - Substantiate All Accounts and Balances
 - Review Confirmation Responses
- ACFR Review and Draft Reports – November/December 2022
- Audit Opinions Issued – December 16, 2022 Issued Timely

AUDIT AREAS OF FOCUS

SIGNIFICANT RISK AREAS	BROWN ARMSTRONG'S RESPONSE
Revenue Recognition	<ul style="list-style-type: none">• Test of controls was performed over contribution amounts as part of participant data.• Confirmations from third parties.• Other substantive analytics were also performed.
Management Override of Controls	<ul style="list-style-type: none">• An understanding of controls over journal entries was obtained and a sample of individual journal entries was performed.• Inquiries performed with individual(s) involved in the financial reporting process, and ensured no inappropriate or unusual activity was noted relating to journal entry processing.• Performed walkthroughs of significant audit areas to review adequate segregation of duties.

AUDIT AREAS OF FOCUS (CONTINUED)

SIGNIFICANT AUDIT AREAS	BROWN ARMSTRONG'S RESPONSE
Investments and Related Earnings	<ul style="list-style-type: none"> • Walkthrough of Controls Performed • High Level Analytics Performed on Investment Income • Confirmation with Custodian, Managers, and Consultants • Reviewed GASB Statement No. 72 Valuation Inputs and Testing of Level Determinations • Obtained Audited Financial Statements and SOC Reports
Participant Data and Actuary	<ul style="list-style-type: none"> • Walkthrough and Test of Controls • Testing of Participant Data, Including Active and Terminated Members, and Employer Payroll <ul style="list-style-type: none"> • Confirmed with Actuary • Confirmed with Employers • GASB Statement No. 67/68 <ul style="list-style-type: none"> • Money-Weighted Return • RSI Schedules

AUDIT AREAS OF FOCUS (CONTINUED)

SIGNIFICANT AUDIT AREAS	BROWN ARMSTRONG'S RESPONSE
Benefit Payments	<ul style="list-style-type: none">• Walkthrough and Test of Controls• Testing of Benefit Payments• High Level Analytics
Employer and Employee Contributions	<ul style="list-style-type: none">• Walkthrough and Test of Controls• Confirmed with Employers• High Level Analytics

RESULTS OF THE AUDIT

REQUIRED AUDIT REPORTS ISSUED	SUMMARY
Report on Financial Statements (Opinion)	<ul style="list-style-type: none"> • Unmodified
Required Communication to the Board of Retirement in Accordance with Professional Standards (SAS 114)	<ul style="list-style-type: none"> • Significant Estimates Reviewed <ul style="list-style-type: none"> • Fair Value of Investments • Net Pension Liability Estimates <ul style="list-style-type: none"> • Based on Actuary Assumptions • Corrected and Uncorrected Misstatements – None • Disagreements with Management – None
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	<ul style="list-style-type: none"> • No Noncompliance Noted • No Material Weaknesses, Significant Deficiencies, or Control Deficiencies Identified

FINANCIAL STATEMENT REVIEW


- Review Process
- GFOA Award
- Questions on the ACFR

THANK STAFF/QUESTIONS?



Andrew J. Paulden, CPA
Partner

Brown Armstrong
Accountancy Corporation
4200 Truxtun Avenue, Suite 300
Bakersfield, CA 93309


 661-324-4971


 apaulden@ba.cpa



Paul Sahota, CPA
Manager

Brown Armstrong
Accountancy Corporation
10 River Park Place East, Suite 208
Fresno, CA 93720

 559-476-3592

 psahota@ba.cpa