

Merced County Employees' Retirement Association



Board of Retirement Presentation of the Results of the June 30, 2020 Year End Financial Statement Audit

Brown Armstrong Accountancy Corporation

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January 14, 2021

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, 2020.

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

Sincerely,

Andrew J. Paulden, CPA/Partner
Brown Armstrong Accountancy Corporation



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Agenda

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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 (GAS)*, issued by the Comptroller General of the United States
- ❖ Other communications and reports required by professional standards including:
 - Required Communication at the Conclusion of an Audit in Accordance with Professional Standards (SAS 114)
 - Report on Internal Control Over Financial Reporting and on Compliance and Other Matters in Accordance with GAS

Audit Timeline/Critical Dates List

- **First Week of Fieldwork – July 13, 2020**
 - Remote Testing of Internal Controls
 - Walkthroughs and Understanding of Key Accounting Areas
 - Update Minutes and Agreements
- **Second Week of Fieldwork – October 12, 2020**
 - Substantiate all Accounts and Balances
 - Review Confirmation Responses
- **CAFR Review and Draft Reports – November/December 2019**
- **Audit Opinions Issued - December 18, 2020 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 ensuring 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

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
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)	Unmodified
Required Communication to the Board of Retirement in Accordance with Professional Standards (SAS 114)	<p>Significant Estimates Reviewed</p> <ul style="list-style-type: none"> • Fair Value of Investments • Net Pension Liability Estimates <ul style="list-style-type: none"> ✓ Based on actuary assumptions <p>Corrected and Uncorrected Misstatements - None Disagreements with Management - None</p>
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>	<p>No noncompliance noted No material weaknesses, significant deficiencies, or control deficiencies identified</p>

Results of the Audit

Other Reports Issued	Summary
Agreed Upon Conditions Report Designed to Increase Efficiency, Internal Controls, and/or Information Technology (Management Letter for IT)	Current year status of agreed upon condition and recommendation identified in the prior year

Financial Statement Review

- Review Process
- GFOA Award
- Questions on the CAFR

Thank Staff/Questions?



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