

# Merced County Employees' Retirement Association




## Board of Retirement Presentation of the Results of the June 30, 2021 Year-End Financial Statement Audit

### **Brown Armstrong Accountancy Corporation**

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

Presented By: Andrew J. Paulden, CPA  
Partner

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January 27, 2022

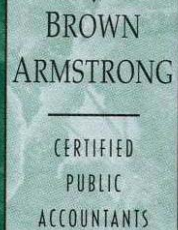
The Board of Retirement of the  
Merced County Employees' Retirement Association  
3199 M Street  
Merced, California 95348

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, 2021.

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

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# Audit Timeline/Critical Dates List

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- **First Week of Fieldwork – July 12, 2021**
  - Remote Testing of Internal Controls
  - Walkthroughs and Understanding of Key Accounting Areas
  - Update Minutes and Agreements
- **Second Week of Fieldwork – October 18, 2021**
  - Substantiate all Accounts and Balances
  - Review Confirmation Responses
- **ACFR Review and Draft Reports – November/December 2021**
- **Audit Opinions Issued – December 20, 2021 Issued Timely**

# Audit Areas of Focus

Significant Risk Areas	Brown Armstrong's Response
Revenue recognition	<ul style="list-style-type: none"><li>• Test of controls was performed over contribution amounts as part of participant data.</li><li>• Confirmations from third parties.</li><li>• Other substantive analytics were also performed.</li></ul>
Management override of controls	<ul style="list-style-type: none"><li>• An understanding of controls over journal entries was obtained and a sample of individual journal entries was performed.</li><li>• 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.</li><li>• Performed walkthroughs of significant audit areas to review adequate segregation of duties.</li></ul>

# Audit Areas of Focus

Significant Audit Areas	Brown Armstrong's Response
Investments and related earnings	<ul style="list-style-type: none"> <li>• Walkthrough of controls performed</li> <li>• High level analytics performed on investment income</li> <li>• Confirmation with custodian, managers, and consultants</li> <li>• Reviewed GASB Statement No. 72 valuation inputs and testing of Level determinations</li> <li>• Obtained audited financial statements and SOC reports</li> </ul>
Participant data and actuary	<ul style="list-style-type: none"> <li>• Walkthrough and test of controls</li> <li>• Testing of participant data, including active and terminated members, and employer payroll               <ul style="list-style-type: none"> <li>• Confirmed with actuary</li> <li>• Confirmed with employers</li> </ul> </li> <li>• GASB Statement No. 67/68               <ul style="list-style-type: none"> <li>• Money-weighted return</li> <li>• RSI schedules</li> </ul> </li> </ul>
Benefit payments	<ul style="list-style-type: none"> <li>• Walkthrough and test of controls</li> <li>• Testing of benefit payments</li> <li>• High level analytics</li> </ul>
Employer and employee contributions	<ul style="list-style-type: none"> <li>• Walkthrough and test of controls</li> <li>• Confirmed with employers</li> <li>• High level analytics</li> </ul>

# 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)	Significant Estimates Reviewed <ul style="list-style-type: none"><li>• Fair Value of Investments</li><li>• Net Pension Liability Estimates<ul style="list-style-type: none"><li>✓ Based on Actuary Assumptions</li></ul></li></ul> 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>	No Noncompliance Noted No Material Weaknesses, Significant Deficiencies, or Control Deficiencies Identified

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# Financial Statement Review

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- Review Process
- GFOA Award
- Questions on the ACFR

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# Thank Staff/Questions?

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**Andrew J. Paulden, CPA | Partner**  
Brown Armstrong Accountancy Corporation  
4200 Truxtun Avenue, Suite 300  
Bakersfield, California 93309  
Tel: 661-324-4971 | Email: [apaulden@bacpas.com](mailto:apaulden@bacpas.com)

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