



Brown Armstrong Accountancy Corporation

4200 Truxtun Avenue, Suite 300, Bakersfield, CA 93309

Telephone: (661) 324-4971 Fax: (661) 324-4997 www.ba.cpa

Contacts: Neeraj Datta, CPA, CGMA ndatta@ba.cpa

Brooke Baird, CPA bbaird@ba.cpa



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Summary

This presentation outlines our audit strategy and approach for the June 30, 2024, audit of SBCERA and gives the Audit Committee the opportunity to review, discuss, and comment on our plan.

This presentation provides:

- The engagement team and the proposed audit timeline.
- An overview of our audit strategy and focus areas.
- Plan for continuous, two-way communication and reporting to the Audit Committee and management.
- Management's responsibilities in relation to the audit.

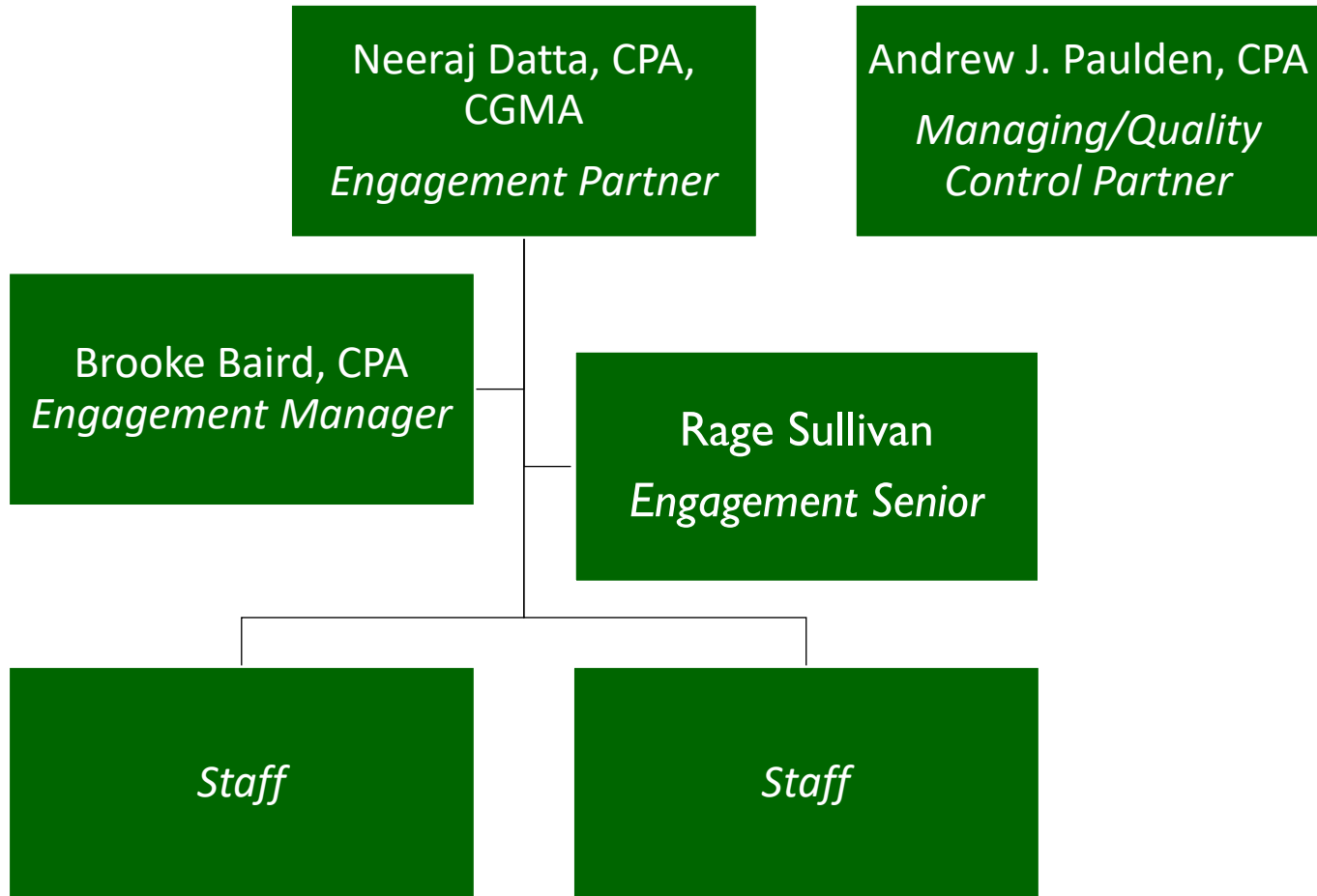
Some modifications of the scope of our plan may be required as we execute our audit. We will advise the Audit Committee of any significant changes.

Our Audit Objectives

As the auditor for SBCERA, we are responsible for reporting on the financial statements of SBCERA for the fiscal year ended June 30, 2024. Our engagement is focused on delivering our services at three levels.

For the public and SBCERA	Independent opinions and reports that provide assurance on the financial information released by SBCERA.
For the Audit Committee/Board of Retirement	Assistance in discharging their fiduciary responsibilities.
For management	Observations and advice on financial reporting, accounting, and internal control issues from our professionals.

The Engagement Team



2024 Audit Timeline

- Entrance Meeting with Management
 - Testing of Internal Controls
 - Walkthroughs and Understanding of Key Accounting Areas
 - Update Minutes and Agreements
-
- Substantiate Material Accounts and Balances
 - Review Confirmation Responses
 - Exit Meeting with Management

Audit Strategy

Exhibit A: Page 8

Phase I	Phase II	Phase III	Phase IV
←	Audit Planning	→	
Planning	Interim Field Work	Final Field Work	Completion
Familiarize ourselves with operating environment	Assess internal control environment and identify strengths and weaknesses	Plan and perform substantive audit procedures substantiating all amounts and disclosures in the financial statements	Perform completion procedures, including manager, partner and technical reviews
Perform risk assessment procedures	Perform SAS 99 (fraud evaluation) procedures	Conduct final analytical review	Obtain GASB Statements No. 67 & No. 68 valuation performing completion procedures
Determine planning materiality	Perform walkthroughs of significant audit areas	Consider audit evidence sufficiency	Perform review of ACFR and related disclosure checklists
Perform preliminary analytical review	Evaluate design and implementation of selected controls	Conclude on critical accounting matters	Obtain legal confirmations
Develop the audit plan	Test controls over financial reporting and participant data	Test valuations of fair value investments	Draft reports to be issued
Identify significant audit areas and confirmation procedures	Understand accounting and reporting activities	Continually educate staff about upcoming GASB standards/audit regulations that will need to be implemented	Draft and obtain signed management representation letter
Determine nature and extent of audit procedures	Conduct exit conference with management to discuss preliminary results based on the test of controls performed	Conduct Exit Conference with management, including a discussion of proposed audit adjustments, internal control and compliance findings, and management letter	Issue auditor's reports and management letter
Internal Governance Committee meeting; Presentation of Scope of Services and Engagement Letter	Reevaluate the progress of the audit and make any changes on audit approach and procedures, if necessary		Internal Governance Committee meeting; Presentation of Audit and Compliance Reports

Audit Areas of Focus

Significant Risk Areas	Brown Armstrong's Response
Revenue recognition	<ul style="list-style-type: none">• Test of controls over contribution amounts as part of participant data• Perform confirmations with third parties• Other substantive analytics to be performed
Management override of controls	<ul style="list-style-type: none">• Obtain an understanding of controls over journal entries and test a sample of individual journal entries• Inquiries will be performed with individual(s) involved in the financial reporting process, and a review ensuring no inappropriate or unusual activity was noted relating to journal entry processing• Perform 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 • High level analytics review of investment income • Confirmations with custodian, managers, and consultants • Review GASB Statement No. 72 valuation inputs and testing of level determinations • Obtain 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"> • Confirmations with actuary and employers • GASB Statement No. 67/68 <ul style="list-style-type: none"> • Money weighted return • Required Supplementary Information (RSI) and Other Information schedules
Employer and employee contributions	<ul style="list-style-type: none"> • Walkthrough and test of controls • Confirmed with employers • High level analytics
Benefit payments	<ul style="list-style-type: none"> • Walkthrough and test of controls • Testing of benefit payments • High level analytics

Reports Expected to be Issued

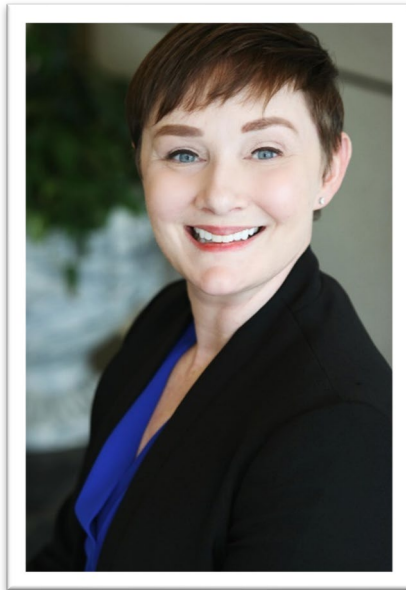
	<i>Government Auditing Standards</i>		
Generally Accepted Auditing Standards			
Independent Auditor's Report (Opinion) on Financial Statements	Required Communication to the Board of Retirement in Accordance with Professional Standards (SAS 114)	Report on SBCERA'S Internal Control over Financial Reporting and on Compliance with Laws and Regulations	Report on Agreed Upon Conditions Designed to Increase Efficiency, Internal Controls, and/or Financial Reporting (Management Letter)

Implementation of New Accounting Pronouncements if Applicable to SBCERA for the June 30, 2023 Audit

Standard	Title	Effective Date	Year End Effective Date	Effect on SBCERA?
GASB Statement No 100	<i>Accounting Changes and Error Corrections—an Amendment of GASB Statement No. 62</i>	For fiscal years beginning after June 15, 2023	July 1, 2023 – June 30, 2024	This statement requires disclosure in the notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. SBCERA's potential impact upon implementation has not been determined.

Future Accounting Pronouncements

Standard	Title	Effective Date	Year End Effective Date	Effect on SBCERA?
GASB Statement No 101	<i>Compensated Absences</i>	For fiscal years beginning after December 15, 2023	July 1, 2024 – June 30, 2025	This statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. SBCERA's potential impact upon implementation has not been determined.
GASB Statement No 102	<i>Certain Risk Disclosures</i>	For fiscal years beginning after June 15, 2024	July 1, 2024 – June 30, 2025	This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. SBCERA's potential impact upon implementation has not been determined.
GASB Statement No 103	<i>Financial Reporting Model Improvements</i>	For fiscal years beginning after June 15, 2025	July 1, 2025 – June 30, 2026	The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. SBCERA's potential impact upon implementation has not been determined.



Brooke Baird, CPA | Partner
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4200 Truxtun Avenue, Suite 300
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Neeraj Datta, CPA, CGMA | Partner
Brown Armstrong Accountancy Corporation
4200 Truxtun Avenue, Suite 300
Bakersfield, California 93309
Tel: 661-324-4971 | Email ndatta@ba.cpa



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