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Your team

We're pleased to introduce your team — a group of world-class professionals to meet your unique needs.

At MGO, we work as a roundtable of advisors to align and optimize all areas of your financial life with your current teams.

San Jose Retirement Plans

Steve Diess EA, MAAAActuarial
Specialist

Ilian Emmons
MBA, CISA,
CDPSE
IT Director

Craig Harner
CPA, CFE
Director

Annie Louie CPA, CISA, CGMA Partner

Chai Saechao CPA Manager



Audit Scope, Objectives and Deliverables

Scope

Federated City Employees' Retirement System Basic Financial Statements

- · Defined Benefit Pension Plan
- · Postemployment Healthcare Plan

Police and Fire Department Retirement Plan Basic Financial Statements

- · Defined Benefit Pension Plan
- · Postemployment Healthcare Plan
- Police and Fire Department Healthcare
 Sub trusts

Notes to the Basic Financial Statements

Objectives

Opinions

 Gather sufficient and appropriate audit evidence to obtain reasonable assurance whether financial statements are free of material misstatement

In-Relation to Opinions

Supplementary information (SI)

Other Information

- Read and consider whether a material inconsistency exists between the other information and the financial statements
- · Provide consultation as necessary

Deliverables

Independent Auditor's Reports

- · Opinion on basic financial statements
- · In-relation to opinion on SI

Internal Controls and Compliance (GAS)

- · Report on internal controls
- · Report on compliance
- · No opinion or assurance

Reports to the Boards of Administration

· Required Communications

Management Letter

Observations



Audit Timeline

1 | Planning Initial Data Requests

April – May 2023

2 | Execution Interim Fieldwork

June - July 2023

3 | Execution Year-End Fieldwork

Aug – October 2023

4 Reporting

October 2023



Audit Process

Planning

Client Acceptance

- · Independence
- · Predecessor Auditor Inquiries
- · Engagement Letter

Present Audit Plan to Audit Committees

· Planned scope and timing of audits

Entrance Conference

- Introductions
- · Finalize audit timeline and due dates

Execution

Interim

- · Identify and evaluate internal controls
- · Perform risk assessment
- Tests of controls over significant transaction cycles
- · Tests of actuarial member census data

Year-End

- Tests of year-end balances and disclosures
- · Exit conference with ORS
- · Review draft reports

Reporting

Presentation of Audit Results to Audit Committees

- · Significant audit findings
- · Audit results

Report Issuance

· Prepare and issue deliverables



Auditor's Responsibilities

We are responsible for:

- ✓ Exercising professional judgment and maintain professional skepticism throughout the audit
- ✓ Assessing the risk of material misstatement of the financial statements, whether due to fraud or error, and designing audit procedures to respond to those risks
- ✓ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures (but not for expressing an opinion on the effectiveness)
- ✓ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management
- ✓ Concluding whether there are conditions or events that raise substantial doubt about the Retirement Plans' ability to continue as a going concern
- Reading other information and considering whether it is materially consistent with the financial statements
- ✓ Communicating with those charged with governance the planned scope and timing of the audit, significant audit findings, and certain internal-control related matters identified during the audit



Management's Responsibilities

Management is responsible for:

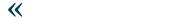
- ✓ Preparation and fair presentation of the financial statements in accordance with U.S. GAAP
- ✓ Designing, implementing, and maintaining effective internal control over financial reporting
- ✓ Informing us of its knowledge of any allegations for fraud or suspected fraud
- ✓ Evaluating whether there are conditions or events that raise substantial doubt about the Retirement Plans' ability to continue as a going concern
- ✓ Providing us with written representations



Materiality

The magnitude of an omission or misstatement that likely influences a reasonable user's judgment about the financial statements.

We apply the concept of materiality in the following:



Planning and performing the audit.



Evaluating the effect of identified misstatements or noncompliance on the audit and the effect of uncorrected misstatements.



Forming the opinion in our report on the financial statements.



Determining or reporting in accordance with *Government Auditing Standards* or other compliance reporting requirements.



Significant Risks of Material Misstatement

Management Override of Controls

Planned Response

- Obtain understanding of controls over journal entries
- · Inquiries of individuals
- Test a sample of journal entries using a targeted risk-based approach and data mining software
- Test of manual adjustments and topside entries

Revenue Recognition

Planned Response

- Obtain understanding of contribution requirements including laws and regulations and plan provisions
- Perform tests of covered payroll using data mining software
- Perform tests of investment valuations and related income

Investment Valuation

Planned Response

- · Walkthrough of controls
- Review SOC report(s)
- Confirm investment balances with custodian bank and managers
- · Perform tests of valuations



Significant Risks of Material Misstatement

Contributions

Planned Response

- · Walkthrough of controls
- High level analytics using covered payroll and contribution rates
- Data analytics using data mining software

Benefit Payments

Planned Response

- Walkthrough and test of controls, including eligibility and pension calculations
- Data analytics using data mining software

Actuarial Valuations and Member Census Data

Planned Response

- Review actuarial calculations, including methodologies and assumptions
- · Results of cross-over test
- Test significant elements of member census data for accuracy and completeness



Upcoming GASB Pronouncements

Management to review the following pronouncements and determine their applicability to the Retirement Plans.

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| U. | () | | IJ | | V |

Subscription-Based Information Technology Arrangements

Effective for year end June 30, 2023

GASB 99

Omnibus 2022

Effective for years end June 30, 2022, 2023, and 2024

GASB 100

Accounting Changes and Error Corrections – an amendment of GASB 62

Effective for year end June 30, 2024

GASB 101

Compensated Absences

Effective for year end June 30, 2025



Contact Information

Craig HarnerDirector

Tel: (916) 642-7090 charner@mgocpa.com

Annie LouiePartner

Tel: (925) 395-2831 alouie@mgocpa.com

Chai SaechaoManager

Tel: (916) 642-7113 csaechao@mgocpa.com



Questions?

