



Municipal Employees' Retirement System

Presentation of the June 30, 2022
Financial Statement Audit Results &
Statewide Agreed-upon Procedures
(SAUPs) Results



OVERVIEW

- Required Communications
- Audit Report
- Condensed Comparative Financial Statements
- Statewide Agreed-upon Procedures Report

Required Communications

Management's Responsibility

- Preparation and fair presentation of the financial statements in accordance with GAAP, which include making the following accounting estimates and judgments significant to the financial statements
 - Most significant estimates:
 - Fair value of alternative investments
 - Total pension liability
- Appropriate selection and use of accounting policies
- Design, implementation, and maintenance of adequate records and a strong internal control system



Required Communications

Hawthorn, Waymouth & Carroll's Responsibility under Generally Accepted Auditing Standards:

- To express an opinion on the financial statements
- To provide reasonable, but not absolute, assurance of detecting material misstatements of the financial statements
- To gain a basic understanding of the internal control policies and procedures in order to design an effective and efficient audit approach
- To inform the Board of any illegal acts and material noncompliance of which we become aware



Required Communications

Other Matters

- There were no difficulties or disagreements encountered in dealing with management.
- There were no significant audit adjustments or uncorrected (due to materiality levels) adjustments.
- To our knowledge, no consultation with other accountants has occurred on financial reporting or disclosure matters.
- We have obtained a representation letter from management dated December 12, 2022.



Audit Report

Audit Results

- We issued an unmodified opinion on the financial statements.
- No deficiencies in internal control over financial reporting that we consider to be material weaknesses were identified.
- No violations of laws or regulations that have a direct and material effect on the financial statements were identified.

Audit Report

Emphasis of Matter

- Refers to a matter presented or disclosed in the financial statements that is essential to users' understanding of the financial statements:
 - Pension liability based on actuarial assumptions



Audit Report

Significant Accounting Policies

- Significant accounting policies are disclosed in Note 2 to the Financial Statements
- There were no changes in accounting principles

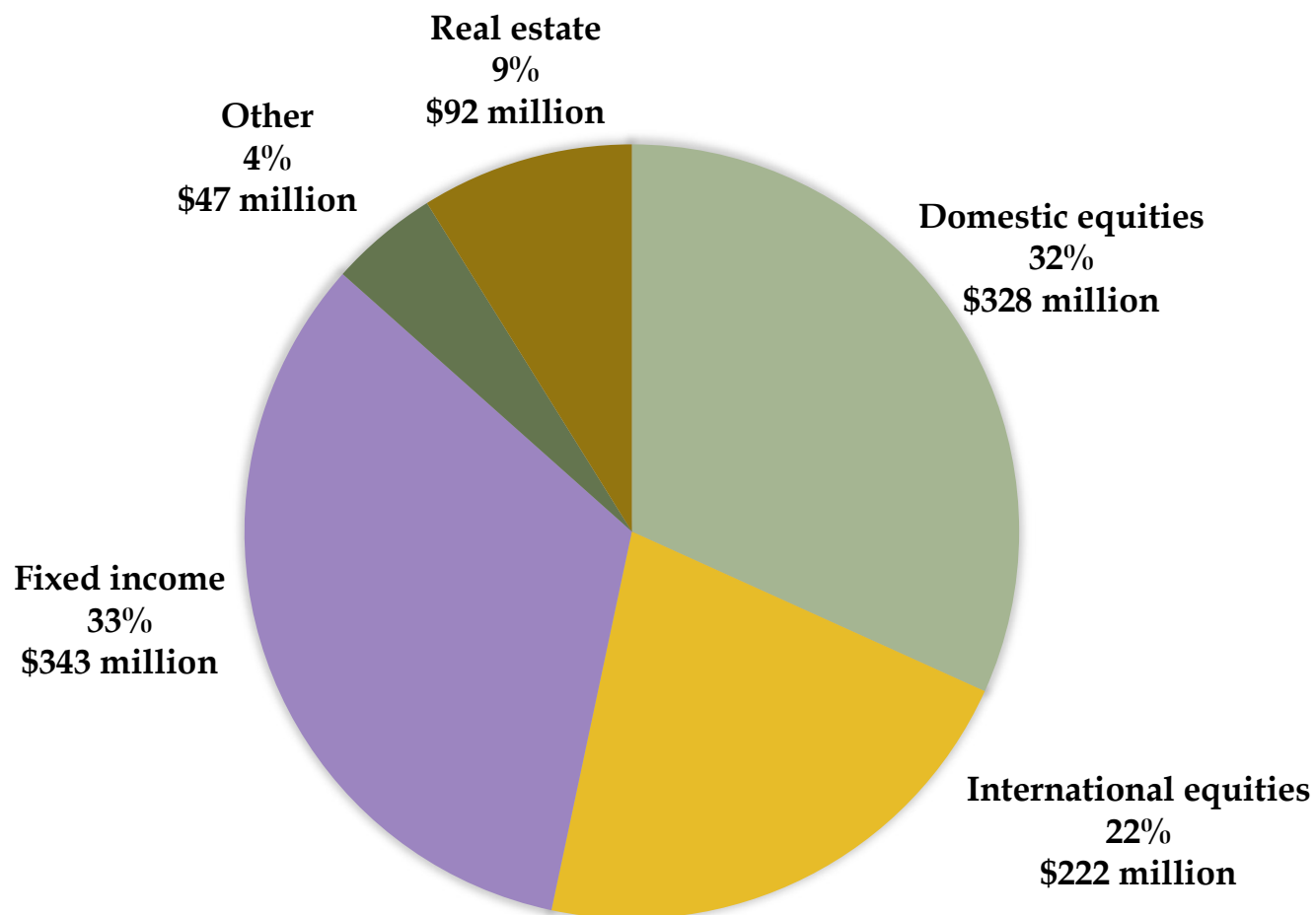


Condensed Comparative Statements of Fiduciary Net Position

	2022	2021	2020
Assets:			
Cash	\$ 27,657,163	\$ 25,746,815	\$ 25,516,962
Receivables	17,359,980	8,683,375	8,583,329
Investments	1,031,592,355	1,159,326,215	928,710,463
Property and equipment (net)	<u>2,536,151</u>	<u>2,787,699</u>	<u>2,483,799</u>
Total Assets	<u>1,079,145,649</u>	<u>1,196,544,104</u>	<u>965,294,553</u>
Total Liabilities	<u>1,407,216</u>	<u>1,076,034</u>	<u>1,044,378</u>
Net Position restricted for pension benefits	<u>\$ 1,077,738,433</u>	<u>\$ 1,195,468,070</u>	<u>\$ 964,250,175</u>



INVESTMENTS





Condensed Comparative Statements of Changes in Fiduciary Net Position

	2022	2021	2020
Additions:			
Member contributions	\$ 22,216,618	\$ 21,782,296	20,948,308
Employer contributions	71,980,186	71,120,588	64,561,997
Ad valorem and state revenue sharing	10,027,387	9,961,247	9,564,932
Net investment income (loss)	(119,953,296)	227,297,202	26,744,300
Transfers from other systems	3,486,053	1,873,220	1,144,694
Total additions (reductions)	\$ (12,243,052)	\$ 322,034,553	\$ 122,964,231



Condensed Comparative Statements of Changes in Fiduciary Net Position (Continued)

	2022	2021	2020
Deductions:			
Retirement benefits	\$ 93,648,002	\$ 89,596,002	\$ 86,035,950
Refunds of contributions	6,662,513	6,304,282	4,574,890
Administrative expenses	2,338,697	2,155,921	1,668,759
Other post-employment (benefit) expense	(172,501)	34,662	(106,202)
Transfers to other systems	3,009,874	2,725,791	2,471,449
Total deductions	105,486,585	100,816,658	96,644,846
Net Increase (Decrease)	(117,729,637)	231,217,895	28,319,385
Net Position Restricted for Pensions, beginning of year	1,195,468,070	964,250,175	935,930,790
Net Position Restricted for Pensions, end of year	\$ 1,077,738,433	\$ 1,195,468,070	\$ 964,250,175



Statewide Agreed-upon Procedures (SAUPs)

- The Louisiana Legislative Auditor has prescribed SAUPs to be performed at those local entities that meet the legal requirement to have an audit under the Audit Law (i.e., public funds totaling \$500,000 or more in revenues and other sources).
- The SAUPs are not intended to address all areas of risk within an entity. Instead, they are designed to address those areas that have resulted in the most frequent incidents of fraud, waste, or abuse of public funds.
- Procedures were performed in thirteen (13) areas with exceptions noted in three (3) areas.
- We have obtained a response to exceptions identified in the SAUPs from management dated November 15, 2022.

SAUPs Results: Written Policies and Procedures

- Exception: The entity's written policies and procedures for Information Technology Disaster Recovery/Business Continuity do not specifically address (3) periodic testing/verification that backups can be restored.
- Corrective Action Plan: MERS has included in its Disaster Recovery and Business Continuity Plan that periodic testing/verification will be performed to ensure that backups can be restored.



SAUPs Results: Bank Reconciliations

- Exception: The three bank reconciliations tested were reviewed by a member of management who posts ledgers and issues checks.
- Corrective Action Plan: MERS has implemented a process that requires a member of management who does not post ledgers and issue checks to review bank reconciliations monthly.



SAUPs Results: Non-Payroll Disbursements

- Exception: For ACH payments, there is only evidence of one person processing and approving payments to vendors.
- Corrective Action Plan: MERS has implemented a process that requires a second person to review, initial, and date each ACH payment for non-payroll disbursements.



Questions?

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