

# LIMITED PROCEDURES ENGAGEMENT

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## Leesport Borough Non-Uniformed Pension Plan Berks County, Pennsylvania For the Period January 1, 2013 to December 31, 2016

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February 2018



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

The Honorable Mayor and Borough Council  
Leesport Borough  
Berks County  
Leesport, PA 19533

We conducted a Limited Procedures Engagement (LPE) of the Leesport Borough Non-Uniformed Pension Plan for the period January 1, 2013 to December 31, 2016 to determine its compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. We also evaluated compliance with some requirements subsequent to that period when possible. The LPE was conducted pursuant to authority derived from Section 402(j) of the Municipal Pension Plan Funding Standard and Recovery Act (P.L. 1005, No. 205, as amended, 53 P.S. § 895.101 et seq.) but was not conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. The act established mandatory actuarial reporting and funding requirements and a uniform basis for the distribution of state aid to Pennsylvania's public pension plans. We believe that the evidence obtained provides a reasonable basis to support our LPE results.

Our LPE was limited to determining the following:

- Whether municipal officials took appropriate corrective action to address the finding contained in our prior audit report, by inquiring of plan officials and evaluating supporting documentation provided by officials evidencing that the suggested corrective action has been appropriately taken.
- Whether state aid was properly determined and deposited in accordance with Act 205 requirements by verifying the annual deposit date of state aid and determining whether deposits were made within 30 days of receipt for all years within the engagement period.
- Whether annual employer contributions were calculated and deposited in accordance with the plan's governing document and applicable laws and regulations by examining the municipality's calculation of the plan's annual financial requirements and minimum municipal obligation (MMO) and comparing these calculated amounts to amounts actually budgeted and deposited into the pension plan as evidenced by supporting documentation.

- Whether the January 1, 2011, January 1, 2013 and January 1, 2015 actuarial valuation report was prepared and submitted to the former Public Employee Retirement Commission (PERC) by March 31, 2012, 2014 and 2016, respectively, in accordance with Act 205 and whether selected information provided on this report is accurate, complete, and in accordance with plan provisions to ensure compliance for participation in the state aid program by comparing selected information to supporting source documentation.


Based on the results of our procedures performed during our LPE, nothing came to our attention indicating that the Leesport Borough Non-Uniformed Pension Plan was not being administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies.

Our determination to perform a LPE for this engagement period does not preclude the Department from conducting an audit in accordance with *Government Auditing Standards* of the pension plan in subsequent periods. The borough should continue to maintain documentation related to this pension plan.

The accompanying supplementary information is presented for purposes of additional analysis. We did not audit the information or conclude on it and, accordingly, express no form of assurance on it.

The contents of this report were discussed with officials of Leesport Borough and, where appropriate, their responses have been included in this report. We would like to thank borough officials for the cooperation extended to us during the conduct of this LPE.

January 26, 2018

  
EUGENE A. DEPASQUALE  
Auditor General

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LEESPORT BOROUGH NON-UNIFORMED PENSION PLAN  
STATUS OF PRIOR FINDING

Compliance With Prior Audit Recommendation

Leesport Borough has complied with the prior audit recommendation concerning the following:

- Incorrect Data On Certification Form AG 385 Resulting In An Underpayment Of State Aid

During the engagement period, plan officials accurately reported the required pension data on the Certification Form AG 385s submitted during the period.

LEESPORT BOROUGH NON-UNIFORMED PENSION PLAN  
SUPPLEMENTARY INFORMATION  
(UNAUDITED)

The supplementary information contained on Pages 2 and 3 reflects the implementation of GASB Statement No. 67, *Financial Reporting for Pension Plans*. The objective of this statement is to improve financial reporting by state and local governmental pension plans.

SCHEDULE OF CHANGES IN THE NET PENSION  
LIABILITY AND RELATED RATIOS  
FOR THE YEARS ENDED DECEMBER 31, 2014, 2015, AND 2016

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total Pension Liability			
Service cost	\$ 15,954	\$ 15,502	\$ 16,277
Interest	11,662	10,471	11,530
Difference between expected and actual experience	-	(39,537)	-
Benefit payments, including refunds of member contributions	(8,335)	(8,335)	(8,335)
Net Change in Total Pension Liability	<u>19,281</u>	<u>(21,899)</u>	<u>19,472</u>
Total Pension Liability - Beginning	191,030	210,311	188,412
Total Pension Liability - Ending (a)	<u>\$ 210,311</u>	<u>\$ 188,412</u>	<u>\$ 207,884</u>
 Plan Fiduciary Net Position			
Contributions – employer	\$ 7,925	\$ 10,321	\$ 5,405
Contribution – state aid	7,745	11,763	13,124
Net investment income	10,265	(1,352)	8,956
Benefit payments, including refunds of member contributions	(8,335)	(8,335)	(8,335)
Administrative expense	(2,086)	(5,408)	(3,366)
Net Change in Plan Fiduciary Net Position	<u>15,514</u>	<u>6,989</u>	<u>15,784</u>
Plan Fiduciary Net Position - Beginning	168,219	183,733	190,722
Plan Fiduciary Net Position - Ending (b)	<u>\$ 183,733</u>	<u>\$ 190,722</u>	<u>\$ 206,506</u>
 Net Pension Liability - Ending (a-b)	<u>\$ 26,578</u>	<u>\$ (2,310)</u>	<u>\$ 1,378</u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.36%	101.26%	99.34%
 Estimated Covered Employee Payroll	\$ 80,437	\$ 133,580	\$ 137,550
 Net Pension Liability as a Percentage of Covered Employee Payroll	33.04%	(1.73%)	1.00%

LEESPORT BOROUGH NON-UNIFORMED PENSION PLAN  
 SUPPLEMENTARY INFORMATION  
 (UNAUDITED)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the borough as of December 31, 2014, 2015 and 2016, calculated using the discount rate of 5.75%, as well as what the borough's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	1% Decrease (4.75%)	Current Discount Rate (5.75%)	1% Increase (6.75%)
Net Pension Liability - 12/31/14	\$ 50,113	\$ 26,578	\$ 6,387
Net Pension Liability - 12/31/15	\$ 20,083	\$ (2,310)	\$ (21,039)
Net Pension Liability - 12/31/16	\$ 26,361	\$ 1,378	\$ (19,499)

SCHEDULE OF INVESTMENT RETURNS

Annual Money-Weighted Rate of Return, Net of Investment Expense:

2016	4.70%
2015	(0.76%)
2014	6.22%

LEESPORT BOROUGH NON-UNIFORMED PENSION PLAN  
 SUPPLEMENTARY INFORMATION  
 (UNAUDITED)

SCHEDULE OF FUNDING PROGRESS

Historical trend information about the plan is presented herewith as supplementary information. It is intended to help users assess the plan's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other state and local government retirement systems.

The actuarial information is required by Act 205 biennially. The historical information, beginning as of January 1, 2011, is as follows:

	(1)	(2)	(3)	(4)
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded (Assets in Excess of) Actuarial Accrued Liability (b) - (a)	Funded Ratio (a)/(b)
01-01-11	\$ 120,178	\$ 141,145	\$ 20,967	85.1%
01-01-13	145,720	173,557	27,837	84.0%
01-01-15	183,733	170,774	(12,959)	107.6%



LEESPORT BOROUGH NON-UNIFORMED PENSION PLAN  
SUPPLEMENTARY INFORMATION  
(UNAUDITED)

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the actuarial accrued liability as a factor.

Analysis of the dollar amount of the actuarial value of assets, actuarial accrued liability, and unfunded (assets in excess of) actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability (Column 4) provides one indication of the plan's funding status on a going-concern basis. Analysis of this percentage, over time, indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan.

LEESPORT BOROUGH NON-UNIFORMED PENSION PLAN  
SUPPLEMENTARY INFORMATION  
(UNAUDITED)

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2011	\$ 19,105	100.0%
2012	19,940	100.0%
2013	27,960	100.0%
2014	15,670	100.0%
2015	22,084	100.0%
2016	18,529	100.0%

LEESPORT BOROUGH NON-UNIFORMED PENSION PLAN  
SUPPLEMENTARY INFORMATION  
NOTES TO SUPPLEMENTARY SCHEDULES  
(UNAUDITED)

The information presented in the supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation date follows:

Actuarial valuation date	January 1, 2015
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	N/A
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.75%
Projected salary increases	5.00%
Cost-of-living adjustments	None assumed

\* Net of pension plan investment expense including inflation (2.25%)

LEESPORT BOROUGH NON-UNIFORMED PENSION PLAN  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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