

LIMITED PROCEDURES ENGAGEMENT

Polk Township Non-Uniformed Pension Plan Monroe County, Pennsylvania For the Period January 1, 2012 to December 31, 2015

August 2016



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen
www.PaAuditor.gov

EUGENE A. DePASQUALE
AUDITOR GENERAL

Board of Township Supervisors
Polk Township
Monroe County
Kresgeville, PA 18333

We conducted a Limited Procedures Engagement (LPE) of the Polk Township Non-Uniformed Pension Plan for the period January 1, 2012 to December 31, 2015 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 reports were prepared and submitted to the Public Employee Retirement Commission (PERC) by March 31, 2012, 2014 and 2016, respectively, in accordance with Act 205 and whether selected information provided on these reports 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.
- Whether the terms of the plan's unallocated insurance contract, including ownership and any restrictions, were in compliance with plan provisions, investment policies, and state regulations by comparing the terms of the contract with the plan's provisions, investment policies, and state regulations.

Based on the results of our procedures performed during our LPE, nothing came to our attention indicating that the Polk Township 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 township 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 letter were discussed with officials of Polk Township and, where appropriate, their responses have been included in this letter. We would like to thank township officials for the cooperation extended to us during the conduct of this LPE.

August 23, 2016



EUGENE A. DEPASQUALE
Auditor General

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POLK TOWNSHIP NON-UNIFORMED PENSION PLAN
STATUS OF PRIOR FINDING

Compliance With Prior Audit Recommendation

Polk Township has complied with the prior audit recommendation concerning the following:

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

The township reimbursed \$199 to the Commonwealth for the overpayment of state aid received in 2011.

POLK TOWNSHIP NON-UNIFORMED PENSION PLAN
 SUPPLEMENTARY INFORMATION
 (UNAUDITED)

The supplementary information contained on Pages 2 through 4 reflect 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 YEAR ENDED DECEMBER 31, 2015

| | |
|--|------------|
| Total Pension Liability | |
| Service cost | \$ 30,614 |
| Interest | 29,042 |
| Benefit payments, including refunds of member contributions | (10,193) |
| Net Change in Total Pension Liability | 49,463 |
| Total Pension Liability - Beginning | 492,749 |
| Total Pension Liability - Ending (a) | \$ 542,212 |
| | |
| Plan Fiduciary Net Position | |
| Contributions - employer | \$ 30,670 |
| Net investment income | (6,201) |
| Benefit payments, including refunds of member contributions | (10,193) |
| Administrative expense | (5,652) |
| Net Change in Plan Fiduciary Net Position | 8,624 |
| Plan Fiduciary Net Position - Beginning | 531,525 |
| Plan Fiduciary Net Position - Ending (b) | \$ 540,149 |
| | |
| Net Pension Liability - Ending (a-b) | \$ 2,063 |
| | |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 99.6% |
| | |
| Estimated Covered Employee Payroll | \$ 298,575 |
| | |
| Net Pension Liability as a Percentage of Covered Employee Payroll | .69% |

POLK TOWNSHIP 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 township, calculated using the discount rate of 6.0%, as well as what the township'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 (5.0%) | Current Discount Rate (6.0%) | 1% Increase (7.0%) |
|-----------------------|-----------------------|------------------------------------|-----------------------|
| Net Pension Liability | \$ 72,023 | \$ 2,063 | \$ (55,796) |

SCHEDULE OF CONTRIBUTIONS

| Year Ended December 31 | Actuarially Determined Contribution | Actual Contributions | Contribution Deficiency (Excess) | Covered- Employee Payroll | Contributions as a Percentage of Covered- Employee Payroll |
|---------------------------|---|-------------------------|--|---------------------------------|--|
| 2006 | \$ 37,067 | \$ 37,067 | \$ - | \$ 151,214 | 24.51% |
| 2007 | 38,107 | 38,107 | - | N/A | N/A |
| 2008 | 25,725 | 25,725 | - | 164,567 | 15.63% |
| 2009 | 26,126 | 26,126 | - | N/A | N/A |
| 2010 | 32,543 | 32,543 | - | 218,107 | 14.92% |
| 2011 | 40,552 | 40,552 | - | N/A | N/A |
| 2012 | 29,733 | 29,733 | - | 259,745 | 11.45% |
| 2013 | 30,065 | 30,065 | - | N/A | N/A |
| 2014 | 32,217 | 32,217 | - | 250,265 | 12.87% |
| 2015 | 30,670 | 30,670 | - | 298,575 | 10.27% |

Note: Covered employee payroll figures not available for all years presented.

POLK TOWNSHIP NON-UNIFORMED PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULE OF INVESTMENT RETURNS

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

| | |
|------|----------|
| 2015 | (1.15%) |
| 2014 | 4.26% |
| 2013 | 10.77% |
| 2012 | 8.86% |
| 2011 | 2.11% |
| 2010 | 9.99% |
| 2009 | 14.12% |
| 2008 | (17.25%) |

POLK TOWNSHIP 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 | \$ 348,256 | \$ 312,211 | \$ (36,045) | 111.5% |
| 01-01-13 | 431,400 | 421,044 | (10,356) | 102.5% |
| 01-01-15 | 531,525 | 492,749 | (38,776) | 107.9% |

POLK TOWNSHIP 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.

POLK TOWNSHIP 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 | N/A |
| Remaining amortization period | N/A |
| Asset valuation method | Fair value |
| Actuarial assumptions: | |
| Investment rate of return | 6.0% |
| Projected salary increases | 3.5% |

POLK TOWNSHIP NON-UNIFORMED PENSION PLAN
DISTRIBUTION LIST

This letter was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Mr. Brian K. Ahner
Chairman, Board of Township Supervisors

Ms. Ruthanne K. Toner
Secretary

Ms. Beverly A. Christman
Treasurer

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