

# LIMITED PROCEDURES ENGAGEMENT

---

Snake Spring Township  
Non-Uniformed Pension Plan  
Bedford County, Pennsylvania  
For the Period  
January 1, 2013 to December 31, 2016

---

August 2017



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](http://www.PaAuditor.gov)**

**EUGENE A. DEPASQUALE**  
**AUDITOR GENERAL**

Board of Township Supervisors  
Snake Spring Township  
Bedford County  
Everett, PA 15537

We conducted a Limited Procedures Engagement (LPE) of the Snake Spring Township 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. State aid allocations that were deposited into the pension plan for the years ended December 31, 2011 to December 31, 2016, are presented on the Summary of Deposited State Aid and Employer Contributions.

- 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. Employer contributions that were deposited into the pension plan for the years ended December 31, 2011 to December 31, 2016, are presented on the Summary of Deposited State Aid and Employer Contributions.
- Whether annual employee contributions were required during the engagement period and, if so, were calculated, deducted, and deposited into the pension plan in accordance with the plan's governing document and applicable laws and regulations by testing total members' contributions on an annual basis using the rates obtained from the plan's governing document in effect for all years within the engagement period and examining documents evidencing the deposit of these employee contributions into the pension plan.
- Whether the January 1, 2011, January 1, 2013 and January 1, 2015 actuarial valuation reports were 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 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.

Based on the results of our procedures performed during our LPE, nothing came to our attention indicating that the Snake Spring Township Non-Uniformed Pension Plan was not being administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies, except as noted in the following finding further discussed later in this report:

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

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 report were discussed with officials of Snake Spring Township and, where appropriate, their responses have been included in this report. We would like to thank township officials for the cooperation extended to us during the conduct of this LPE.



August 4, 2017

EUGENE A. DEPASQUALE  
Auditor General

## CONTENTS

	<u>Page</u>
Status of Prior Finding .....	1
Finding and Recommendation:	
Finding – Incorrect Data On Certification Form AG 385 Resulting In An Overpayment Of State Aid.....	2
Supplementary Information .....	4
Summary of Deposited State Aid and Employer Contributions.....	6
Report Distribution List .....	7

SNAKE SPRING TOWNSHIP NON-UNIFORMED PENSION PLAN  
STATUS OF PRIOR FINDING

Compliance With Prior Audit Recommendation

Snake Spring Township has complied with the prior audit recommendation concerning the following:

- Receipt Of State Aid In Excess Of Entitlement

During the current engagement period, the township reimbursed \$640 to the Commonwealth for the excess state aid received in 2012 and 2013.

**SNAKE SPRING TOWNSHIP NON-UNIFORMED PENSION PLAN**  
**FINDING AND RECOMMENDATION**

**Finding – Incorrect Data On Certification Form AG 385 Resulting In An Overpayment Of State Aid**

Condition: The township overstated payroll by \$3,500 on Certification Form AG 385 filed in 2014, overstated payroll by \$3,675 on Certification Form AG 385 filed in 2015, overstated payroll by \$3,375 on Certification Form AG 385 filed in 2016, and overstated payroll by \$3,500 on the Certification Form AG 385 filed in 2017 by including supervisor meeting pay. The data contained on these certification forms is based on prior calendar year information.

Criteria: Pursuant to the instructions that accompany Certification Form AG 385, the total payroll eligible to be certified should be Internal Revenue Service Form W-2 earnings pertaining to full-time positions.

Cause: Plan officials failed to establish adequate internal control procedures to ensure the accuracy of the data certified and failed to follow the instructions accompanying the certification form.

Effect: The data submitted on these certification forms is used, in part, to calculate the state aid due to the municipality for distribution to its pension plan. Because the township's 2014, 2015, and 2016 state aid allocations were based on pension costs, and the 2017 state aid allocation is expected to be based on pension costs, the incorrect certification of pension data affected, and will affect, the township's state aid allocations, as identified below:

Year	Normal Cost %	Payroll Overstatement	State Aid Overpayment
2014	.0782608%	\$ 3,500	\$ 274
2015	.0782608%	\$ 3,675	\$ 287
2016	.0810469%	\$ 3,375	\$ 274
2017	.0810469%	\$ 3,500	<u>\$ 284*</u>
Total Overpayment of State Aid			<u>\$ 1,119</u>

\* - Based on an estimate prepared by this Department, the actual state allocation will be distributed to the municipality prior to October 1, 2017.

**SNAKE SPRING TOWNSHIP PENSION PLAN  
SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

**Finding – (Continued)**

**Recommendation:** We recommend that the total excess state aid received for the years 2014 through 2016, in the amount of \$835, be returned to the Commonwealth. A check in this amount, with interest compounded annually from date of receipt to date of repayment, at a rate earned by the pension plan, should be made payable to: Commonwealth of Pennsylvania and mailed to: Department of the Auditor General, Municipal Pension & Fire Relief Programs Unit, 321 Finance Building, Harrisburg, PA 17120. A copy of the interest calculation must be submitted along with the check.

We also recommend that upon receipt of the 2017 state aid allocation, the township reimburse \$284 to the Commonwealth. A check in this amount should be made payable to: Commonwealth of Pennsylvania and mailed to: Department of the Auditor General, Municipal Pension & Fire Relief Programs Unit, 321 Finance Building, Harrisburg, PA 17120.

Furthermore, we recommend that in the future, plan officials establish adequate internal control procedures, such as having at least 2 people review the data certified, to ensure compliance with the instructions that accompany Certification Form AG 385 to assist them in accurately reporting the required pension data.

**Management's Response:** Municipal officials agreed with the finding without exception.

**Auditor's Conclusion:** Compliance with the finding recommendation will be monitored subsequent to the released of the report and through our next engagement.

**SNAKE SPRING TOWNSHIP PENSION PLAN  
SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

The supplementary information contained on Pages 4 and 5 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 AND 2015**

	<u>2014</u>	<u>2015</u>
Total Pension Liability		
Service cost	\$ 6,900	\$ 7,233
Interest	1,928	2,427
Net Change in Total Pension Liability	<u>8,828</u>	<u>9,660</u>
Total Pension Liability - Beginning	<u>32,603</u>	<u>41,431</u>
Total Pension Liability - Ending (a)	<u>\$ 41,431</u>	<u>\$ 51,091</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 6,460	\$ 6,733
Contributions – PMRS assessment	-	60
Contribution – employee	500	500
PMRS investment income	1,912	2,411
Market value investment income	(194)	(2,979)
PMRS Administrative expense	(60)	(60)
Additional administrative expense	(73)	(101)
Net Change in Plan Fiduciary Net Position	<u>8,545</u>	<u>6,564</u>
Plan Fiduciary Net Position - Beginning	<u>32,282</u>	<u>40,827</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 40,827</u>	<u>\$ 47,391</u>
Net Pension Liability - Ending (a-b)	<u>\$ 604</u>	<u>\$ 3,700</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.5%	92.8%
Estimated Covered Employee Payroll	\$ 83,063	\$ 85,653
Net Pension Liability as a Percentage of Covered Employee Payroll	0.73%	4.3%

**SNAKE SPRING TOWNSHIP 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 as of December 31, 2014 and 2015, calculated using the discount rate of 5.5%, 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 (4.5%)	Current Discount Rate (5.5%)	1% Increase (6.5%)
Net Pension Liability 2014	\$ 8,890	\$ 604	\$ (7,682)
Net Pension Liability 2015	\$ 13,919	\$ 3,700	\$ (6,518)

**SNAKE SPRING TOWNSHIP NON-UNIFORMED PENSION PLAN  
SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS**

Year Ended December 31	State Aid	Employer Contributions
2011	None	\$ 5,460
2012	\$ 5,460	None
2013	5,460	None
2014	5,755	705
2015	6,500	293
2016	6,942	None

SNAKE SPRING TOWNSHIP NON-UNIFORMED PENSION PLAN  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

**The Honorable Tom W. Wolf**  
Governor  
Commonwealth of Pennsylvania

**Mr. Charles Nycum**  
Chairman, Board of Township Supervisors

**Ms. Rose R. Diehl**  
Township Secretary

**Ms. Kristine M. Cline**  
Pennsylvania Municipal Retirement System

**Ms. Charity Rosenberry, CPA**  
Pennsylvania Municipal Retirement System

This report is a matter of public record and is available online at [www.PaAuditor.gov](http://www.PaAuditor.gov). Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: news@PaAuditor.gov.