

# LIMITED PROCEDURES ENGAGEMENT

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## Vanport Township Non-Uniformed Pension Plan Beaver County, Pennsylvania For the Period January 1, 2013 to December 31, 2016

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December 2017



Commonwealth of Pennsylvania  
Department of the Auditor General

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Vanport, PA 15009

We conducted a Limited Procedures Engagement (LPE) of the Vanport 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 retirement benefits calculated for plan members who retired during the engagement period represent payments to all (and only) those entitled to receive them and were properly determined and disbursed in accordance with the plan's governing document, applicable laws and regulations by recalculating the amount of the monthly pension benefit due to retired individuals and comparing these amounts to supporting documentation evidencing amounts determined and actually paid to recipients.
- 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 Vanport 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 – Failure To Fund Member's Account

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 Vanport 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.

December 8, 2017

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

EUGENE A. DEPASQUALE  
Auditor General

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VANPORT TOWNSHIP NON-UNIFORMED PENSION PLAN  
STATUS OF PRIOR FINDING

Compliance With Prior Audit Recommendation

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

- Receipt Of State Aid In Excess Of Entitlement

During the engagement period, the township reimbursed \$171 to the Commonwealth for the overpayment of state aid received in 2011.

VANPORT TOWNSHIP NON-UNIFORMED PENSION PLAN  
FINDING AND RECOMMENDATION

**Finding - Failure To Fully Fund Member's Account**

Condition: In 2016, the township did not fully fund the account of a member who was hired on March 20, 2016 as a permanent employee of the township and became a plan member on June 22, 2016.

Criteria: The plan's governing document, Ordinance No. 295, Section 2 states, in part, membership shall be mandatory for all permanent municipal employees of the Township.

Further, Section 13 of the plan agreement between the township and the Pennsylvania Municipal Retirement System (PMRS), sets the municipal contribution rate at 4 percent of each member's compensation. Also, Section 1 of the same agreement states that membership shall be effective upon the expiration of the individual's probationary status.

Cause: Township officials were unaware of their obligation to make a contribution for the employee upon expiration of his probationary status.

Effect: The failure to properly fund the plan could result in plan members being denied benefits to which they are entitled in accordance with the plan's governing document.

Due to township's failure to properly fund the referenced member's account, the township must now pay interest on the delinquent contribution.

Recommendation: We recommend that the township deposit the contribution due to the member's account for the year 2016, in the amount of \$275, with interest, from the date of deposit of the municipal contributions which were made in that year to the date of deposit of the amount in arrears. A copy of the interest calculation must be maintained by the township for examination during our next engagement.

We also recommend that, in the future, township officials properly fund the accounts of all eligible plan members.

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

Auditor's Conclusion: Compliance will be evaluated during our next engagement.

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

The supplementary information contained on Pages 3 and 4 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	\$ 5,066	\$ 4,487
Interest	7,591	8,137
Difference between expected and actual experience	283	527
Changes of assumptions	-	506
Benefit payments, including refunds of member contributions	(4,123)	(3,194)
Net Change in Total Pension Liability	<u>8,817</u>	<u>10,463</u>
Total Pension Liability - Beginning	138,858	147,675
Total Pension Liability - Ending (a)	<u>\$ 147,675</u>	<u>\$ 158,138</u>
 Plan Fiduciary Net Position		
Contributions - employer*	\$ 4,825	\$ 2,548
Contribution - member	1,689	1,496
Contributions - PMRS assessment	-	120
Net investment income	7,721	8,322
Benefit payments, including refunds of member contributions	(4,123)	(3,194)
Administrative expense	(296)	(347)
PMRS administrative expense	(140)	(120)
Market value investment income	(232)	(8,512)
Net Change in Plan Fiduciary Net Position	<u>9,444</u>	<u>313</u>
Plan Fiduciary Net Position - Beginning	139,450	148,894
Plan Fiduciary Net Position - Ending (b)	<u>\$ 148,894</u>	<u>\$ 149,207</u>
 Net Pension Liability - Ending (a-b)	<u>\$ (1,219)</u>	<u>\$ 8,931</u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.83%	94.35%
 Estimated Covered Employee Payroll	\$ 84,435	\$ 74,775
 Net Pension Liability as a Percentage of Covered Employee Payroll	(1.44%)	11.94%

\* The Statutorily Required Contribution and the actual Contribution were provided by PMRS. Deviation between these amounts may be due to contributions to or transfers from the Municipal account.



VANPORT 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 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:

	<u>1% Decrease (4.5%)</u>	<u>Current Discount Rate (5.5%)</u>	<u>1% Increase (6.5%)</u>
Net Pension Liability – 12/31/14	\$ 24,690	\$ (1,219)	\$ (26,723)
Net Pension Liability – 12/31/15	\$ 36,007	\$ 8,931	\$ (17,671)

VANPORT TOWNSHIP NON-UNIFORMED PENSION PLAN  
SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid	Employer Contributions
2011	\$ 3,834	\$ 583
2012	3,584	835
2013	3,730	135
2014	None	1,408
2015	2,668	None
2016	1,374	None

Note: In 2013, the township met the plan's \$4,317 funding requirement through the deposit of \$3,730 in state aid, \$452 in terminated employee forfeitures, and \$135 employer contributions.

In 2014, the township met the plan's \$3,496 funding requirement through the deposit of \$2,088 in terminated employee forfeitures and \$1,408 in employer contributions.

In 2015, the township met the plan's \$3,089 funding requirement through the deposit of \$2,668 in state aid and \$421 in terminated employee forfeitures.

In 2016, the township contributed to the \$3,339 funding requirement through the deposit of \$1,374 in state aid and \$1,690 in terminated employee forfeitures. As of December 31, 2016, \$275 in employer contributions are due the plan. (See Finding)

VANPORT 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. Ronald E. Nardick**  
President, Board of Township Commissioners

**Ms. Maureen T. Bostwick**  
Secretary

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

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