

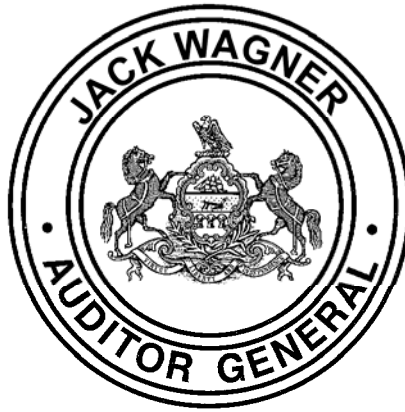
BRADFORD WOODS BOROUGH NONUNIFORMED PENSION PLAN

ALLEGHENY COUNTY

AUDIT REPORT

FOR THE YEARS ENDED

DECEMBER 31, 2005, 2004 AND 2003



BRADFORD WOODS BOROUGH NONUNIFORMED PENSION PLAN

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LEGAL CITATION

Act 205 - Municipal Pension Plan Funding Standard and Recovery Act,
Act of December 18, 1984, (P.L. 1005, No. 205), as amended, 53 P.S. § 895.101,
et seq.

ABBREVIATION

PSABMRT - Pennsylvania State Association of Boroughs Municipal Retirement Trust

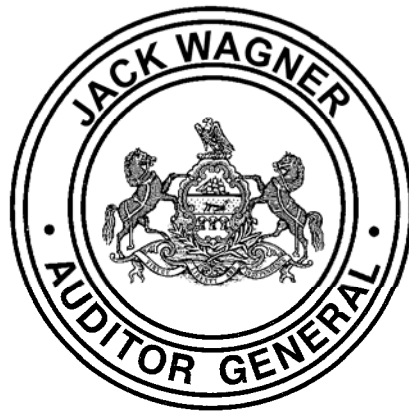
BACKGROUND

The Pennsylvania Legislature adopted the Municipal Pension Plan Funding Standard and Recovery Act, P. L. 1005, No. 205, on December 18, 1984. Act 205 established mandatory funding requirements and a uniform basis for the distribution of state aid to Pennsylvania's public pension plans. Major provisions of Act 205 require:

- The filing of biennial actuarial valuation reports with the Public Employee Retirement Commission, except for distressed pension plans for which annual reporting was required through January 1, 2003;
- The actuarial funding of pension plans from state aid, members' contributions and municipal contributions, if necessary;
- The annual amount of state aid allocated to a municipality cannot exceed a plan's pension costs;
- A prior cost estimate before the adoption of any benefit plan modification; and
- The municipality to provide information contained in actuarial valuation reports to plan members or benefit recipients.

Generally, municipal pension plans established prior to December 18, 1984, are eligible for state aid. If the pension plan was established after this date, the municipality must fund the plan for three full plan years before that plan is eligible to receive state aid. The Commonwealth receives funding for Act 205 through the 2 percent foreign casualty insurance premiums tax proceeds, that portion of the foreign fire insurance tax designated for paid firefighters, and investment income earned on these taxes.

Article 8, Section 10, of the Pennsylvania Constitution authorizes the Department of the Auditor General to audit the financial affairs of every Commonwealth-aided pension plan. Act 205, at Section 402(j), authorizes the Auditor General, as deemed necessary, to make an audit of every municipal pension plan in which state aid is deposited.



Independent Auditor's Report

The Honorable Mayor and Borough Council
Bradford Woods Borough
Allegheny County
Bradford Woods, PA 15015

We have audited the accompanying statement of plan net assets of the Bradford Woods Borough Nonuniformed Pension Plan as of December 31, 2005, 2004 and 2003, and the related statement of changes in plan net assets for the years then ended. These financial statements are the responsibility of the plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Department of the Auditor General (Department) is mandated by state statute to calculate state aid provided to municipal pension funds and to audit municipal pension funds having received such aid. State aid is calculated by an administrative unit that is not involved in the audit process. The Department's Comptroller Office then pre-audits the calculation and submits requests to the Commonwealth's Treasury Department for the disbursement of state aid to the municipality. The Department has implemented procedures to ensure that Department audit personnel are not directly involved in the calculation and disbursement processes. The Department's mandatory responsibilities are being disclosed in accordance with *Government Auditing Standards*.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Bradford Woods Borough Nonuniformed Pension Plan as of December 31, 2005, 2004 and 2003, and the changes in net assets for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Independent Auditor's Report – (Continued)

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2006, on our consideration of the Bradford Woods Borough Nonuniformed Pension Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

May 5, 2006

JACK WAGNER
Auditor General

BRADFORD WOODS BOROUGH NONUNIFORMED PENSION PLAN
STATEMENT OF PLAN NET ASSETS
AS OF DECEMBER 31, 2005, 2004 AND 2003

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Assets:			
Investments, at fair value:			
Master trust	<u>\$ 12,530</u>	<u>\$ 10,353</u>	<u>\$ 6,748</u>
Net assets held in trust for pension benefits	<u><u>\$ 12,530</u></u>	<u><u>\$ 10,353</u></u>	<u><u>\$ 6,748</u></u>

Notes to financial statements are an integral part of this report.

BRADFORD WOODS BOROUGH NONUNIFORMED PENSION PLAN
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Additions:			
Contributions			
State aid	\$ 1,850	\$ 2,698	\$ -
Employer contributions	<u>400</u>	<u>-</u>	<u>3,977</u>
Total contributions	<u>2,250</u>	<u>2,698</u>	<u>3,997</u>
Investment income			
Net appreciation in fair value of investments	548	928	701
Interest	106	90	77
Dividends	<u>116</u>	<u>86</u>	<u>40</u>
Net investment income	<u>770</u>	<u>1,104</u>	<u>818</u>
Total additions	<u>3,020</u>	<u>3,802</u>	<u>4,815</u>
Deductions:			
Benefits	-	-	1,619
Administrative expenses	192	197	756
Refund of excess state aid	<u>651</u>	<u>-</u>	<u>576</u>
Total deductions	<u>843</u>	<u>197</u>	<u>2,951</u>
Net increase	2,177	3,605	1,864
Net assets held in trust for pension benefits:			
Beginning of year	<u>10,353</u>	<u>6,748</u>	<u>4,884</u>
End of year	<u><u>\$ 12,530</u></u>	<u><u>\$ 10,353</u></u>	<u><u>\$ 6,748</u></u>

Notes to financial statements are an integral part of this report.

BRADFORD WOODS BOROUGH NONUNIFORMED PENSION PLAN
NOTES TO FINANCIAL STATEMENTS

1. Description Of Plan

General

The Bradford Woods Borough Nonuniformed Pension Plan is a single-employer defined contribution pension plan controlled by the provisions of Resolution No. 9-02. The plan is governed by the borough council which is responsible for the management of plan assets. The borough council has delegated the authority to manage certain plan assets to PSABMRT.

Plan Membership

As of December 31, the pension plan's membership consisted of:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Active employees	1	1	1
Retirees and beneficiaries currently receiving benefits	-	-	-
Terminated employees entitled to benefits but not yet receiving them	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>1</u>	<u>1</u>	<u>1</u>

Benefit Provisions

The plan provides retirement, disability and death benefits to plan members and their beneficiaries.

Funding Policy

Active members are not required to contribute to the plan. The municipality is required to contribute 5 percent of compensation.

The pension plan may also be eligible for an annual allocation from the General Municipal Pension System State Aid Program which must be used to reduce or eliminate the required municipal contribution.

BRADFORD WOODS BOROUGH NONUNIFORMED PENSION PLAN
NOTES TO FINANCIAL STATEMENTS

2. Summary Of Significant Accounting Policies

Basis Of Accounting

The plan's policy is to prepare its financial statements on the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Valuation Of Investments

Investments are reported at fair value as reported by PSABMRT.

3. Deposits And Investments

At December 31, 2005, 2004 and 2003, the plan held no deposits.

Investments

The plan is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act.

At December 31, 2005, 2004 and 2003, all of the plan's investments were held in PSABMRT's Balanced Fund. These investments were not subject to the risk disclosure requirements contained in GASB 3, as amended by GASB 40.

**Report On Compliance And On Internal Control
Over Financial Reporting
Based On An Audit Of Financial Statements Performed In Accordance With
*Government Auditing Standards***

The Honorable Mayor and Borough Council
Bradford Woods Borough
Allegheny County
Bradford Woods, PA 15015

We have audited the financial statements of the Bradford Woods Borough Nonuniformed Pension Plan, as of and for the years ended December 31, 2005, 2004 and 2003, and have issued our report thereon dated May 5, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The Department of the Auditor General (Department) is mandated by state statute to calculate state aid provided to municipal pension funds and to audit municipal pension funds having received such aid. State aid is calculated by an administrative unit that is not involved in the audit process. The Department's Comptroller Office then pre-audits the calculation and submits requests to the Commonwealth's Treasury Department for the disbursement of state aid to the municipality. The Department has implemented procedures to ensure that Department audit personnel are not directly involved in the calculation and disbursement processes. The Department's mandatory responsibilities are being disclosed in accordance with *Government Auditing Standards*.

Compliance

As part of obtaining reasonable assurance about whether the Bradford Woods Borough Nonuniformed Pension Plan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Report On Compliance And On Internal Control
Over Financial Reporting
Based On An Audit Of Financial Statements Performed In Accordance With
*Government Auditing Standards***

Compliance – (Continued)

However, we noted a certain immaterial instance of noncompliance which we have reported to the management of the Bradford Woods Borough Nonuniformed Pension Plan which is disclosed in the finding following this report.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bradford Woods Borough Nonuniformed Pension Plan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Bradford Woods Borough Nonuniformed Pension Plan's management and the borough council, and is not intended to be and should not be used by anyone other than these specified parties.

May 5, 2006

JACK WAGNER
Auditor General

BRADFORD WOODS BOROUGH NONUNIFORMED PENSION PLAN
FINDING AND RECOMMENDATION

Finding – Underpayment Of Vested Benefit

Condition: A plan member who terminated service on January 31, 2002, with four years of service, has not received the full distribution of plan monies to which she is entitled. On May 30, 2003, the member received a lump-sum distribution of \$1,619, based on a 40 percent vesting percentage. On August 26, 2003, the borough deposited \$1,396 into the plan, which represented delinquent contributions due to the above plan member for the period June 2, 1997, to June 2, 1998. However, the borough failed to determine and pay the terminated member her vested portion of these contributions totaling \$558.

Criteria: The PSAB Joinder Agreement, at Part VIII-1, provides for the following vesting schedule:

<u>Completed Years of Continuous Service</u>	<u>Vested Percentage</u>
Less than 3	0%
3	20%
4	40%
5	60%
6	80%
7 or more	100%

Cause: Municipal officials were not aware that the member had not received her full entitlement from the plan in accordance with the plan governing document.

Effect: The plan member has not received the total benefit to which she is entitled.

Recommendation: We recommend that the borough pay the referenced member the \$558 due to her, plus interest earned since August 26, 2003.

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

BRADFORD WOODS BOROUGH NONUNIFORMED PENSION PLAN
COMMENTS

Compliance With Prior Audit Recommendations

The borough complied with the prior audit recommendations concerning the following:

- Failure To Deposit The Full Amount Of State Aid Into The Pension Plan

The township used the remaining 1997 state aid, in the amount of \$837, to pay for plan administrative expenses. In addition, on August 26, 2003, the borough deposited \$1,396 into the plan, which represented delinquent contributions due to a former plan member for the period June 2, 1997, to June 2, 1998 (See Finding); and

- Receipt Of State Aid In Excess Of Entitlement And Municipal Contributions Made In Excess Of Contributions Required To Fund The Plan

On August 15, 2003, the borough returned excess state aid received in 2000 and 2002 to the Commonwealth, with interest. In addition, the borough passed Resolution No. 4 of 2004, which allows for the reallocation of forfeitures to other active participants of the plan in a nondiscriminatory manner.

BRADFORD WOODS BOROUGH NONUNIFORMED PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania

Bradford Woods Borough Nonuniformed Pension Plan
Allegheny County
P.O. Box 163
Bradford Woods, PA 15015

The Honorable Theodore A. Fithian	Mayor
Mr. Scott Anderson	Council President
Ms. Mary Ann Moretti	Manager

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, Room 318 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at www.auditorgen.state.pa.us.