

CORNPLANTER TOWNSHIP NONUNIFORMED PENSION PLAN

VENANGO COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2006, TO DECEMBER 31, 2007



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BACKGROUND

On December 18, 1984, the Pennsylvania Legislature adopted the Municipal Pension Plan Funding Standard and Recovery Act (P.L. 1005, No. 205, as amended, 53 P.S. § 895.101 et seq.). 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. Section 402(j) of Act 205 specifically requires the Auditor General, as deemed necessary, to make an audit of every municipality which receives general municipal pension system State aid and of every municipal pension plan and fund in which general municipal pension system State aid is deposited.

Pension plan aid is provided from a 2 percent foreign casualty insurance premium tax, a portion of the foreign fire insurance tax designated for paid firefighters and any investment income earned on the collection of these taxes. Generally, municipal pension plans established prior to December 18, 1984, are eligible for state aid. For municipal pension plans established after that date, the sponsoring municipality must fund the plan for three plan years before it becomes eligible for state aid. In accordance with Act 205, a municipality's annual state aid allocation cannot exceed its actual pension costs.

In addition to Act 205, the Cornplanter Township Nonuniformed Pension Plan is also governed by implementing regulations adopted by the Public Employee Retirement Commission published at Title 16, Part IV of the Pennsylvania Code and applicable provisions of various other state statutes.

The Cornplanter Township Nonuniformed Pension Plan is a single-employer defined contribution pension plan locally controlled by the provisions of a plan document effective January 1, 1969, as amended. The plan is also affected by the provisions of collective bargaining agreements between the township and its nonuniformed employees. The municipality is required to match employee contributions up to 3 percent of each member's compensation.



Board of Township Supervisors
Cornplanter Township
Venango County
Oil City, PA 16301

We have conducted a compliance audit of the Cornplanter Township Nonuniformed Pension Plan for the period January 1, 2006, to December 31, 2007. The audit was conducted pursuant to authority derived from Section 402(j) of Act 205 and in accordance with *Government Auditing Standards* applicable to performance audits issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

The objectives of the audit were:

1. To determine if municipal officials took appropriate corrective action to address the findings contained in our prior audit report; and
2. To determine if the pension plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies.

Our audit was limited to the areas related to the objectives identified above.

Township officials are responsible for establishing and maintaining an internal control structure to provide reasonable assurance that the Cornplanter Township Nonuniformed Pension Plan is administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. To assist us in planning and performing our audit, we obtained an understanding of the township's internal control structure as it relates to the township's compliance with those requirements. Additionally, we tested transactions, assessed official actions, performed analytical procedures and interviewed selected officials to the extent necessary to satisfy the audit objectives.

The results of our tests indicated that, in all significant respects, the Cornplanter Township Nonuniformed Pension Plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies.

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

The contents of this report were discussed with officials of Cornplanter Township and, where appropriate, their responses have been included in the report.

February 26, 2009

JACK WAGNER
Auditor General

CORNPLANTER TOWNSHIP NONUNIFORMED PENSION PLAN
STATUS OF PRIOR FINDINGS

Compliance With Prior Audit Recommendation

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

- Failure To Distribute Demutualization Compensation To Individual Members' Accounts

The township properly distributed the demutualization compensation to the 3 members who were eligible to receive it at the time of demutualization.

Status Of Prior Audit Recommendation

- Unauthorized Funding Mechanism

The township reimbursed \$2,088 to the Commonwealth for the 2003 state aid allocated to the unauthorized funding mechanism.

However, the township did not transfer plan assets to an authorized funding mechanism and continues to provide retirement benefits to plan members through an unauthorized funding mechanism as noted in the Comments section of this audit report.

CORNPLANTER TOWNSHIP NONUNIFORMED PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULE OF STATE AID
AND EMPLOYER CONTRIBUTIONS

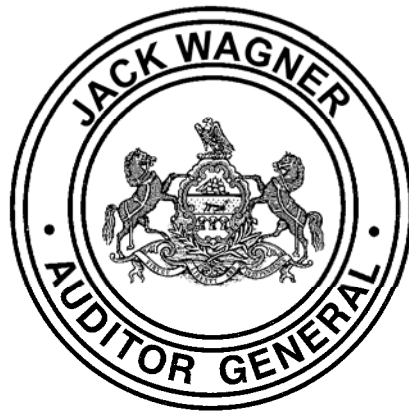
Year Ended December 31	State Aid Deposited	Employer Contributions
2002	None	None
2003	None	None
2004	None	None
2005	None	None
2006	None	None
2007	None	None

CORNPLANTER TOWNSHIP NONUNIFORMED PENSION PLAN COMMENTS

As noted in the prior audit report, in 2001 the township established Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) individual retirement accounts (IRAs) under Section 408(p) of the Internal Revenue Code to provide benefits to members of the nonuniformed pension plan. SIMPLE IRAs do not meet the definition of a pension plan under Act 205 and implementing regulations adopted by the Public Employee Retirement Commission.

During the current audit period, and through the date of this audit report, the township continues to provide benefits to members of the nonuniformed pension plan through contributions to the SIMPLE IRAs. Since the township fails to maintain a pension plan that qualifies for participation in the General Municipal Pension System State Aid Program, it is precluded from filing actuarial valuation reports with the Public Employee Retirement Commission and unable to certify plan membership for state aid allocation purposes. Consequently, the township did not receive state aid allocations during the audit period.

Until an authorized funding mechanism is established, the township's nonuniformed pension plan will be continue to be deemed ineligible to participate in the General Municipal Pension System State Aid Program.



CORNPLANTER TOWNSHIP NONUNIFORMED PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania

Cornplanter Township Nonuniformed Pension Plan
Venango County
136 Petroleum Center Road
Oil City, PA 16301

Mr. John Miller	Chairman, Board of Township Supervisors
Ms. Cathy McBride	Secretary

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.