

LIMITED PROCEDURES ENGAGEMENT

Duncansville Borough Police Pension Plan Blair County, Pennsylvania For the Period January 1, 2014 to December 31, 2017

February 2019



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

The Honorable Mayor and Borough Council
Duncansville Borough
Blair County
Duncansville, PA 16635

We conducted a Limited Procedures Engagement (LPE) of the Duncansville Borough Police Pension Plan for the period January 1, 2014 to December 31, 2017 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, 2012 to December 31, 2017, 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, 2012 to December 31, 2017, 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, 2013, January 1, 2015 and January 1, 2017 actuarial valuation reports were prepared and submitted by March 31, 2014, 2016 and 2018, 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.

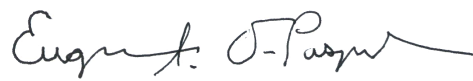
Based on the results of our procedures performed during our LPE, nothing came to our attention indicating that the Duncansville Borough Police Pension Plan was not being administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and 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 borough 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 Duncansville Borough and, where appropriate, their responses have been included in this report. We would like to thank borough officials for the cooperation extended to us during the conduct of this LPE.

February 6, 2019


EUGENE A. DEPASQUALE
Auditor General

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DUNCANSVILLE BOROUGH POLICE PENSION PLAN
STATUS OF PRIOR FINDING

Compliance With Prior Audit Recommendation

Duncansville Borough has complied with the prior audit recommendation concerning the following:

- Receipt Of State Aid In Excess Of Entitlement

During the current engagement period, the borough returned \$904 to the Commonwealth for the excess state aid received in 2012 and annually reconciled the amount of state aid along with available forfeitures, and employer contributions with the plan's annual pension costs in accordance with Act 205.

DUNCANVILLE BOROUGH POLICE PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

The supplementary information contained on Pages 2 through 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	\$ 2,822	\$ 2,910
Interest	1,314	1,543
Net Change in Total Pension Liability	<u>4,136</u>	<u>4,453</u>
Total Pension Liability – Beginning	22,832	26,968
Total Pension Liability – Ending (a)	<u><u>\$ 26,968</u></u>	<u><u>\$ 31,421</u></u>
Plan Fiduciary Net Position		
Contributions – employer*	\$ 1,520	\$ 1,206
Contributions – PMRS assessment	-	20
Contributions – employee	822	910
PMRS investment income	1,390	1,566
Market value investment income	(103)	(1,801)
PMRS Administrative expense	(20)	(20)
Additional administrative expense	(53)	(65)
Net Change in Plan Fiduciary Net Position	<u>3,556</u>	<u>1,816</u>
Plan Fiduciary Net Position – Beginning	23,800	27,356
Plan Fiduciary Net Position – Ending (b)	<u><u>\$ 27,356</u></u>	<u><u>\$ 29,172</u></u>
Net Pension Liability – Ending (a-b)	<u><u>\$ (388)</u></u>	<u><u>\$ 2,249</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	101.44%	92.84%
Estimated Covered Employee Payroll	\$ 41,104	\$ 45,514
Net Pension Liability as a Percentage of Covered Employee Payroll	(0.94%)	4.94%

* 2014 employer contributions do not include \$500 allocated from municipal reserve. 2015 employer contributions do not include \$814 allocated from municipal reserve funds for member contribution, refunds and administrative expenses.

DUNCANSVILLE BOROUGH POLICE PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULE OF CHANGES IN THE NET PENSION
LIABILITY AND RELATED RATIOS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2017

	<u>2016</u>	<u>2017</u>
Total Pension Liability		
Service cost	\$ 2,890	\$ 2,954
Interest	1,788	1,953
Net Change in Total Pension Liability	<u>4,678</u>	<u>4,907</u>
Total Pension Liability – Beginning	31,421	36,099
Total Pension Liability – Ending (a)	<u>\$ 36,099</u>	<u>\$ 41,006</u>
Plan Fiduciary Net Position		
Contributions – employer*	\$ 2,000	\$ 2,000
Contributions – PMRS assessment	20	-
Contributions – employee	890	954
PMRS investment income	1,799	1,958
Market value investment income	545	4,299
PMRS Administrative expense	(20)	(20)
Additional administrative expense	(88)	(90)
Net Change in Plan Fiduciary Net Position	<u>5,146</u>	<u>9,101</u>
Plan Fiduciary Net Position – Beginning	29,172	34,318
Plan Fiduciary Net Position – Ending (b)	<u>\$ 34,318</u>	<u>\$ 43,419</u>
Net Pension Liability – Ending (a-b)	<u>\$ 1,781</u>	<u>\$ (2,413)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	95.07%	105.88%
Estimated Covered Employee Payroll	\$ 44,485	\$ 47,711
Net Pension Liability as a Percentage of Covered Employee Payroll	4.00%	(5.06%)

* 2016 and 2017 employer contributions do not include \$20 in annual administrative expense.

DUNCANSVILLE BOROUGH POLICE 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 borough as of December 31, 2014 and 2015, calculated using the discount rate of 5.50%, as well as what the borough'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 (4.50%)</u>	<u>Current Discount Rate (5.50%)</u>	<u>1% Increase (6.50%)</u>
Net Pension Liability - 12/31/14	\$ 5,005	\$ (388)	\$ (5,782)
Net Pension Liability - 12/31/15	\$ 8,533	\$ 2,249	\$ (4,035)

In addition, the following presents the net pension liability of the borough as of December 31, 2016 and 2017, calculated using the discount rate of 5.25%, as well as what the borough'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 (4.25%)</u>	<u>Current Discount Rate (5.25%)</u>	<u>1% Increase (6.25%)</u>
Net Pension Liability - 12/31/16	\$ 9,000	\$ 1,781	\$ (5,439)
Net Pension Liability - 12/31/17	\$ 5,788	\$ (2,413)	\$ (10,614)

DUNCANSVILLE BOROUGH POLICE PENSION PLAN
SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid	Employer Contributions
2012	\$ 904	\$ 40
2013	None	None
2014	1,408	569
2015	257	1,763
2016	1,792	228
2017	646	1,374

Note: In 2012, the borough met the plan's \$2,804 funding requirement through the allocation of available terminated employee forfeitures.

Note: In 2013, the borough met the plan's \$2,020 funding requirement through the allocation of available terminated employee forfeitures.

Note: In 2014, the borough met the plan's \$2,020 funding requirement through the deposit of \$1,408 in state aid and \$569 in employer contributions and allocation of \$43 in available terminated employee forfeitures.

DUNCANSVILLE BOROUGH POLICE PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

The Honorable Lloyd Forshey
Mayor

Mr. Jeffery Wolfe
Council President

Ms. Paula Fox
Secretary/Treasurer

This report is a matter of public record and is available online at 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.