

# LIMITED PROCEDURES ENGAGEMENT

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## Jessup Borough Non-Uniformed Pension Plan Lackawanna County, Pennsylvania For the Period January 1, 2015 to December 31, 2018

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November 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  
Jessup Borough  
Lackawanna County  
Jessup, PA 18434

We conducted a Limited Procedures Engagement (LPE) of the Jessup Borough Non-Uniformed Pension Plan for the period January 1, 2015 to December 31, 2018 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 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, 2013 to December 31, 2018, 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, 2013 to December 31, 2018, are presented on the Summary of Deposited State Aid and Employer Contributions.

- Whether the January 1, 2015 and January 1, 2017 actuarial valuation reports were prepared and submitted by March 31, 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 Jessup Borough Non-Uniformed 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 contents of this report were discussed with officials of Jessup 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.

November 5, 2019



EUGENE A. DEPASQUALE  
Auditor General

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JESSUP BOROUGH NON-UNIFORMED PENSION PLAN  
SUPPLEMENTARY INFORMATION  
(UNAUDITED)

The supplementary information contained on Pages 1 and 2 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, 2016 AND 2017

	<u>2016</u>	<u>2017</u>
Total Pension Liability		
Service cost	\$ 5,084	\$ 4,843
Interest	237	3,633
Difference between expected and actual experience	(1,310)	-
Transfers	4,240	72,908
Benefit payments, including refunds of member contributions	-	(4,383)
Net Change in Total Pension Liability	<u>8,251</u>	<u>77,001</u>
Total Pension Liability – Beginning	-	8,251
Total Pension Liability – Ending (a)	<u>\$ 8,251</u>	<u>\$ 85,252</u>
 Plan Fiduciary Net Position		
Contributions – employer	\$ 5,241	\$ 3,700
Contributions – PMRS assessment	60	20
Net investment income	(237)	9,324
Transfers	4,240	72,908
Benefit payments, including refunds of member contributions	-	(4,383)
Administrative expense	(72)	(229)
Net Change in Plan Fiduciary Net Position	<u>9,232</u>	<u>81,340</u>
Plan Fiduciary Net Position – Beginning	-	9,232
Plan Fiduciary Net Position – Ending (b)	<u>\$ 9,232</u>	<u>\$ 90,572</u>
 Net Pension Liability – Ending (a-b)	<u>\$ (981)</u>	<u>\$ (5,320)</u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	111.89%	106.24%
 Estimated Covered Employee Payroll	\$ 101,677	\$ 96,859
 Net Pension Liability as a Percentage of Covered Employee Payroll	(0.96%)	(5.49%)

JESSUP BOROUGH 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 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:

	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
Net Pension Liability – 12/31/16	\$ 669	\$ (981)	\$ (2,631)
Net Pension Liability – 12/31/17	\$ 11,731	\$ (5,320)	\$ (22,370)

JESSUP BOROUGH NON-UNIFORMED PENSION PLAN  
SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid	Employer Contributions
2013	None	\$ 4,553
2014	None	4,781
2015	\$ 2,590	2,524
2016	471	4,770
2017	3,700	None
2018	3,091	4,107

Note: In 2017, the borough met the plan's \$4,934 funding requirement through the deposit of \$3,700 in state aid and \$1,234 in terminated employee forfeitures.

JESSUP BOROUGH NON-UNIFORMED PENSION PLAN  
SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS

This report was initially distributed to the following:

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

**The Honorable Joseph J. Buckshon, Jr.**  
Mayor

**Mr. Gerald J. Crinella**  
Council President

**Mr. Joseph Mellado**  
Council Vice President

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Council Member

**Mr. Peter Larioni**  
Council Member

**Ms. Lorraine Stevens**  
Council Member

**Ms. Mia Stine**  
Secretary/Treasurer

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](mailto:news@PaAuditor.gov).