

# LIMITED PROCEDURES ENGAGEMENT

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## Sugarcreek Township Non-Uniformed Pension Plan Armstrong County, Pennsylvania For the Period January 1, 2014 to December 31, 2017

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June 2018



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



Commonwealth of Pennsylvania  
Department of the Auditor General  
Harrisburg, PA 17120-0018  
Facebook: Pennsylvania Auditor General  
Twitter: @PAAuditorGen  
www.PaAuditor.gov

EUGENE A. DePASQUALE  
AUDITOR GENERAL

Board of Township Supervisors  
Sugarcreek Township  
Armstrong County  
East Brady, PA 16028

We conducted a Limited Procedures Engagement (LPE) of the Sugarcreek Township Non-Uniformed 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.
- 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.

- 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 report 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 Sugar Creek Township 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 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 Sugarcreek 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.

May 31, 2018

  
EUGENE A. DEPASQUALE  
Auditor General

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SUGARCREEK TOWNSHIP NON-UNIFORMED PENSION PLAN  
STATUS OF PRIOR FINDING

Status of Prior Audit Recommendation

Incorrect Pension Benefit

As disclosed in prior reports, an excess benefit is being paid to an existing retiree. During the engagement period, the municipality did not receive any state aid attributable to the excess benefit provided. The department will continue to monitor the impact of the excess benefit being paid to the existing retiree on the plan's future state aid allocations.

SUGARCREEK TOWNSHIP NON-UNIFORMED PENSION PLAN  
SUPPLEMENTARY INFORMATION  
NOTES TO SUPPLEMENTARY SCHEDULES  
(UNAUDITED)

The supplementary information contained on Pages 2 and 3 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	\$ 2,649	\$ 6,657
Interest	16,091	15,966
Difference between expected and actual experience	-	(19,822)
Changes of assumptions	-	9,552
Benefit payments, including refunds of member contributions	(14,982)	(14,982)
Net Change in Total Pension Liability	3,758	(2,629)
Total Pension Liability – Beginning	326,669	330,427
Total Pension Liability - Ending (a)	<u>\$ 330,427</u>	<u>\$ 327,798</u>
Plan Fiduciary Net Position		
Contributions – Employer	\$ 407	\$ 2,030
Contributions – State Aid	7,745	7,842
Net Investment Income	10,427	(9,872)
Benefit payments, including refunds of member contributions	(14,982)	(14,982)
Administrative expense	(5,750)	(5,500)
Net Change in Plan Fiduciary Net Position	(2,153)	(20,482)
Plan Fiduciary Net Position – Beginning	339,227	337,074
Plan Fiduciary Net Position - Ending (b)	<u>\$ 337,074</u>	<u>\$ 316,592</u>
Net Pension Liability - Ending (a-b)	<u>\$ (6,647)</u>	<u>\$ 11,206</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	102.0%	96.6%
Estimated Covered Employee Payroll	\$ 35,000	\$ 55,000
Net Pension Liability as a Percentage of Covered Employee Payroll	(19.0)%	20.4%

\* Note: As of December 31, 2017, GASB 67 note disclosures were not available for the years 2016 and 2017.

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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 5.0%, 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:

	1% Decrease (4.0%)	Current Discount Rate (5.0%)	1% Increase (6.0%)
Net Pension Liability - 12/31/14	\$ 32,971	\$ (6,647)	\$ (41,464)
Net Pension Liability - 12/31/15	\$ 47,331	\$ 11,206	\$ (20,435)

SCHEDULE OF CONTRIBUTIONS

Year Ended December 31	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2011	\$ 8,229	\$ 8,739	\$ (510)	\$ 73,632	11.9%
2012	8,739	9,120	(381)	60,010	15.2%
2013	9,120	9,120	-	65,472	13.9%
2014	8,152	8,152	-	35,000	23.3%
2015	9,872	9,872	-	55,000	17.9%
2016	12,154	12,154	-	*	*
2017	15,304	15,304	-	*	*

\* GASB 67 schedules were not prepared for 2016 and 2017. Therefore, the covered employee payroll was not provided in this schedule.

SCHEDULE OF INVESTMENT RETURNS

Annual Money-Weighted Rate of Return, Net of Investment Expense:

2015	(3.13)%
2014	3.134%

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SCHEDULE OF FUNDING PROGRESS

Historical trend information about the plan is presented herewith as supplementary information. It is intended to help users assess the plan's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other state and local government retirement systems.

The actuarial information is required by Act 205 biennially. The historical information, beginning as of January 1, 2013, is as follows:

	(1)	(2)	(3)	(4)
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded (Assets in Excess of) Actuarial Accrued Liability (b) - (a)	Funded Ratio (a)/(b)
01-01-13	\$ 328,599	\$ 322,521	\$ (6,078)	101.9%
01-01-15	337,074	320,157	(16,917)	105.3%
01-01-17	325,015	375,411	50,396	86.6%



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The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the actuarial accrued liability as a factor.

Analysis of the dollar amount of the actuarial value of assets, actuarial accrued liability, and unfunded (assets in excess of) actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability (Column 4) provides one indication of the plan's funding status on a going-concern basis. Analysis of this percentage, over time, indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan.

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The information presented in the supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation date follows:

Actuarial valuation date	January 1, 2017
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	20 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return *	5.0%
Projected salary increases *	4.5%

SUGARCREEK 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

**Ms. Shirley A. Rodgers**  
Chairman, Board of Township Supervisors

**Ms. Jennifer Steiner**  
Secretary

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