

LIMITED PROCEDURES ENGAGEMENT

Wheatland Borough Police Pension Plan Mercer County, Pennsylvania For the Period January 1, 2015 to September 16, 2016

January 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
Wheatland Borough
Mercer County
Wheatland, PA 16161

We conducted a Limited Procedures Engagement (LPE) of the former Wheatland Borough Police Pension Plan for the period January 1, 2015 to September 16, 2016 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.
- 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 and January 1, 2015 actuarial valuation reports were prepared and submitted by March 31, 2014 and 2016, 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 former Wheatland Borough Police Pension Plan was not being administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies, except as noted in the following finding further discussed later in this report:

Finding – Return Of Unused Monies To The Commonwealth

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 Wheatland 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.

January 2, 2019



EUGENE A. DEPASQUALE
Auditor General

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WHEATLAND BOROUGH POLICE PENSION PLAN
FINDING AND RECOMMENDATION

Finding – Return Of Unused Monies To The Commonwealth

Condition: Wheatland Borough officials abolished the borough police department on May 18, 1992, pursuant to Ordinance No. 3-92. The former police pension plan continued to pay the only retiree receiving pension benefits from the former pension plan until the obligation ended in 2014 with the death of the recipient. In 2016, borough officials liquidated the remaining plan assets amounting to \$11,024 and deposited these funds into the borough’s general fund.

Criteria: Municipalities that have received state aid allocations pursuant to Act 120, and which do not employ at least one full-time paid police officer, must return unused state funds to the Commonwealth pursuant to the provisions of Act 120, at 72 P.S. 2263.3, which states, in part:

All monies distributed under the terms hereof, that are not used for the purposes set forth herein within two years after receipt thereof by the treasurers of several cities, boroughs, towns and townships, shall be returned to the General Fund for distribution...

Cause: Plan officials were unaware of the provisions of Act 120 governing the disposition of unused state funds distributed under the act.

Effect: When funds distributed under the General Municipal State Aid Program are not used for their intended purpose under the Act, such unused state funds are not available for distribution to eligible municipalities for eligible pension costs.

Recommendation: We recommend that borough officials, with the assistance of their solicitor and/or the plan’s actuary and after accounting for any remaining liabilities and municipal contributions, return the remaining unused state funds to the Commonwealth. A check, along with any applicable calculations used in determining the amount reimbursed, should be made payable to the Commonwealth of Pennsylvania and submitted to: Department of the Auditor General, Municipal Pension & Fire Relief Programs Unit, 321 Finance Building, Harrisburg, PA 17120.

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

Auditor’s Conclusion: The borough’s compliance with the finding recommendation will be monitored subsequent to the release of the report and through our next engagement of the borough’s non-uniformed pension plan.

WHEATLAND BOROUGH POLICE PENSION PLAN
SUPPLEMENTARY INFORMATION
(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		
Interest	\$ 4,140	\$ -
Difference between expected and actual experience	(79,399)	-
Benefit payments, including refunds of member contributions	<u>(20)</u>	<u>-</u>
Net Change in Total Pension Liability	(75,279)	-
Total Pension Liability – Beginning	<u>75,279</u>	<u>-</u>
Total Pension Liability – Ending (a)**	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Plan Fiduciary Net Position		
Contributions – employer*	\$ 20	\$ -
PMRS investment income	548	578
Market value investment income	(29)	(624)
Benefit payments, including refunds of member contributions	(20)	-
PMRS administrative expense	(20)	-
Additional administrative expense	<u>(21)</u>	<u>(24)</u>
Net Change in Plan Fiduciary Net Position	478	(70)
Plan Fiduciary Net Position – Beginning	<u>9,889</u>	<u>10,367</u>
Plan Fiduciary Net Position – Ending (b)	<u><u>\$ 10,367</u></u>	<u><u>\$ 10,297</u></u>
Net Pension Liability - Ending (a-b)	<u><u>\$ (10,367)</u></u>	<u><u>\$ (10,297)</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	N/A	N/A
Estimated Covered Employee Payroll	\$ -	\$ -
Net Pension Liability as a Percentage of Covered Employee Payroll	N/A	N/A

* The 2014 employer contribution includes \$20 administrative expense.

** The pension liability associated with this former pension plan ended with the passing of its lone recipient during 2014 as noted in the finding and recommendation of this report.

WHEATLAND 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:

	1% Decrease (4.50%)	Current Discount Rate (5.50%)	1% Increase (6.50%)
Net Pension Liability – 12/31/14	\$ (10,367)	\$ (10,367)	\$ (10,367)
Net Pension Liability – 12/31/15	\$ (10,297)	\$ (10,297)	\$ (10,297)

WHEATLAND BOROUGH POLICE PENSION PLAN
 SUPPLEMENTARY INFORMATION
 (UNAUDITED)

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, 2011, 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)
01-01-11	\$ 92,600	\$ 84,118	\$ (8,482)	112.1%
01-01-13	87,803	78,316	(9,487)	112.1%
01-01-15	10,516	-	(10,516)	N/A

Note: Since the accrued pension liability associated with this former pension plan ended with the passing of its lone recipient during 2014, as aforementioned in this report, the borough appropriately discontinued the preparation of the actuarial report after the January 1, 2015 valuation.

WHEATLAND BOROUGH POLICE PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

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.

WHEATLAND BOROUGH POLICE PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER
AND OTHER CONTRIBUTING ENTITIES

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2011	None	N/A
2012	None	N/A
2013	None	N/A
2014	None	N/A
2015	None	N/A
2016	None	N/A

WHEATLAND BOROUGH POLICE PENSION PLAN
 SUPPLEMENTARY INFORMATION
 NOTES TO SUPPLEMENTARY SCHEDULES
 (UNAUDITED)

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, 2015
Actuarial cost method	Entry age normal
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	5.5%, net of expenses
Projected salary increases*	Age-related scale for merit/seniority (e.g. age 30 – 6.4%; age 40 – 5.0%; age 50 – 4.1%; age 60 – 3.7%)
Cost-of-living adjustments	3.0%, where applicable

*Includes inflation at 3.0%

Refer to the Note contained in the Schedule of Funding Progress section of this report.

WHEATLAND 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 Ronald Viglio
Mayor

Mr. Daniel C. Morsillo
Council President

Ms. Sharon Stinedurf
Secretary/Treasurer

Ms. Charity Rosenberry, CPA
Pennsylvania Municipal Retirement System

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.