

LIMITED PROCEDURES ENGAGEMENT

Woodward Township Non-Uniformed Pension Plan Clinton County, Pennsylvania For the Period January 1, 2014 to December 31, 2017

November 2018



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Board of Township Supervisors
Woodward Township
Clinton County
Lock Haven, PA 17745

We conducted a Limited Procedures Engagement (LPE) of the Woodward 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 findings 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 retirement benefits calculated for plan members who retired during the engagement period represent payments to all (and only) those entitled to receive them and were properly determined and disbursed in accordance with the plan's governing document, applicable laws and regulations by recalculating the amount of the monthly pension benefit due to retired individuals and comparing these amounts to supporting documentation evidencing amounts determined and actually paid to recipients.
- 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 Woodward 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 Woodward 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.

November 16, 2018

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale", with a long horizontal flourish extending to the right.

EUGENE A. DEPASQUALE
Auditor General

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WOODWARD TOWNSHIP NON-UNIFORMED PENSION PLAN
STATUS OF PRIOR FINDINGS

Compliance With Prior Audit Recommendations

Woodward Township has complied with the prior audit recommendations concerning the following:

- Receipt Of State Aid In Excess Of Entitlement

During the current engagement period, the township reimbursed \$3,830 to the Commonwealth for the excess state aid received in the years 2011 and 2012, including interest. Furthermore, during the engagement period, plan officials properly reconciled the township's annual state aid allocations and any available plan forfeitures with the plan's annual pension costs and reimbursed any excess state aid received to the Commonwealth.

- Incorrect Data On Certification Form AG 385 Resulting In An Underpayment Of State Aid

During the engagement period, municipal officials properly enrolled newly eligible employees in the pension plan in a timely manner and properly certified the employees on Certification Form AG 385.

WOODWARD TOWNSHIP NON-UNIFORMED 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, 2015, AND 2016

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total Pension Liability			
Service cost	\$ 8,018	\$ 7,386	\$ 9,771
Interest(includes interest on service cost)	2,897	3,260	3,529
Difference between expected and actual experience	270	(409)	416
Changes of assumptions	-	605	767
Benefit payments, including refunds of member contributions	(49,983)	(3,661)	(4,472)
Net Change in Total Pension Liability	(38,798)	7,181	10,011
Total Pension Liability - Beginning	96,953	58,155	65,336
Total Pension Liability - Ending (a)	<u>\$ 58,155</u>	<u>\$ 65,336</u>	<u>\$ 75,347</u>
Plan Fiduciary Net Position			
Contributions – employer*	\$ 8,955	\$ 5,131	\$ 7,864
Contributions – PMRS assessment	-	100	-
Contributions – employee	741	744	1,634
PMRS investment income	2,882	3,325	3,504
Market value investment income	433	(3,765)	1,489
Benefit payments, including refunds of employee contributions	(49,983)	(3,661)	(4,472)
PMRS Administrative expense	(100)	(100)	(100)
Additional Administrative expense	(111)	(139)	(172)
Net Change in Plan Fiduciary Net Position	(37,183)	1,635	9,747
Plan Fiduciary Net Position - Beginning	95,807	58,624	60,259
Plan Fiduciary Net Position - Ending (b)	<u>\$ 58,624</u>	<u>\$ 60,259</u>	<u>\$ 70,006</u>
Net Pension Liability - Ending (a-b)	<u>\$ (469)</u>	<u>\$ 5,077</u>	<u>\$ 5,341</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.81%	92.23%	92.91%
Estimated Covered Employee Payroll	\$ 99,658	\$ 110,703	\$ 137,386
Net Pension Liability as a Percentage of Covered Employee Payroll	-0.47%	4.59%	3.89%

* 2014 employer contributions include contributions of \$1,578 due for a prior year, 2015 employer contributions include a withdrawal of \$1,511, and 2016 employer contributions include a withdrawal of \$273 for administrative expenses paid from actuarial surplus.

WOODWARD TOWNSHIP 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 township as of December 31, 2014 and 2015, calculated using the discount rate of 5.50%, 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:

	<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	\$ 6,008	\$ (469)	\$ (6,600)
Net Pension Liability – 12/31/15	\$ 13,109	\$ 5,077	\$ (2,632)

The following presents the net pension liability of the township as of December 31, 2016, calculated using the discount rate of 5.25%, 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:

	<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	\$ 14,698	\$ 5,341	\$ (3,634)

WOODWARD TOWNSHIP NON-UNIFORMED PENSION PLAN
SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid	Employer Contributions
2012	\$ 3,155	\$ 199
2013	None	260
2014	6,475	902
2015	6,014	728
2016	6,642	1,495
2017	4,359	None

Note: In 2017 the township met the plan's \$6,131 funding requirement through the deposit of \$4,359 in state aid and \$1,772 in terminated employee forfeitures.

WOODWARD 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

Mr. Kyle Coleman
Chairman, Board of Township Supervisors

Ms. Jackie Bartlett
Chief Administrative Officer

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.