

LIMITED PROCEDURES ENGAGEMENT

Moosic Borough Non-Uniformed Cash Balance Pension Plan

Lackawanna County, Pennsylvania

For the Period

January 1, 2014 to December 31, 2017

December 2018



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
Moosic Borough
Lackawanna County
Moosic, PA 18507

We conducted a Limited Procedures Engagement (LPE) of the Moosic Borough Non-Uniformed Cash Balance 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 Moosic Borough Non-Uniformed Cash Balance 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 Moosic 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.

December 19, 2018



EUGENE A. DEPASQUALE
Auditor General

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MOOSIC BOROUGH NON-UNIFORMED CASH BALANCE PENSION PLAN
STATUS OF PRIOR FINDING

Compliance With Prior Audit Recommendation

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

- Incorrect Date On The AG 385 Form Resulting In Underpayment Of State Aid

During the current audit period, municipal officials complied with the instructions that accompanied Form AG 385 and accurately reported the required pension data.

MOOSIC BOROUGH NON-UNIFORMED CASH BALANCE 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	\$ 5,688	\$ 5,758	\$ 6,567
Interest	339	638	689
Change of benefit terms	-	-	-
Difference between expected and actual experience	(1)	(704)	(2,452)
Benefit payments, including refunds of member contributions	-	(1,175)	(2,360)
Net Change in Total Pension Liability	<u>6,026</u>	<u>4,517</u>	<u>2,444</u>
Total Pension Liability – Beginning	4,199	10,225	14,742
Total Pension Liability – Ending (a)	<u>\$ 10,225</u>	<u>\$ 14,742</u>	<u>\$ 17,186</u>
Plan Fiduciary Net Position			
Contributions – employer	\$ 1,596	\$ 2,879	\$ 1,618
Contributions – member	3,068	2,879	3,284
Contributions – PMRS assessment	-	80	60
Net investment income	293	(287)	945
Benefit payments, including refunds of member contributions	-	(1,175)	(2,360)
Administrative expense	(94)	(107)	(120)
Net Change in Plan Fiduciary Net Position	<u>4,863</u>	<u>4,269</u>	<u>3,427</u>
Plan Fiduciary Net Position – Beginning	5,218	10,081	14,350
Plan Fiduciary Net Position - Ending (b)	<u>\$ 10,081</u>	<u>\$ 14,350</u>	<u>\$ 17,777</u>
Net Pension Liability - Ending (a-b)	<u>\$ 144</u>	<u>\$ 392</u>	<u>\$ (591)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.59%	97.34%	103.44%
Estimated Covered Employee Payroll	\$ 87,336	\$ 95,972	\$ 131,535
Net Pension Liability as a Percentage of Covered Employee Payroll	0.16%	0.41%	(0.45%)

* 2016 employer contributions do not include contributions of \$517 that were paid during 2017.

MOOSIC BOROUGH NON-UNIFORMED CASH BALANCE 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 5.5%, 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 (4.5%)	Current Discount Rate (5.5%)	1% Increase (6.5%)
Net Pension Liability - 12/31/14	\$ 2,190	\$ 144	\$ (1,901)
Net Pension Liability - 12/31/15	\$ 3,340	\$ 392	\$ (2,556)

In addition, the following presents the net pension liability of the borough as of December 31, 2016, 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	\$ 2,847	\$ (591)	\$ (4,028)

MOOSIC BOROUGH NON-UNIFORMED CASH BALANCE PENSION PLAN
SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid	Employer Contributions
2012	None	\$ 923
2013	None	2,250
2014	None	1,596
2015	None	2,879
2016	None	2,195
2017	None	4,007

Note: In 2014, the borough met the plan's \$2,700 funding requirement through the deposit of \$1,596 in employer contributions and \$1,104 in terminated employee forfeitures.

Note: In 2016, the borough met the plan's \$3,946 funding requirement through the deposit of \$2,195 in employer contributions and \$1,751 in terminated employee forfeitures.

Note: In 2017, the borough met the plan's \$5,109 funding requirement through the deposit of \$4,007 in employer contributions and \$1,102 in terminated employee forfeitures.

MOOSIC BOROUGH NON-UNIFORMED CASH BALANCE PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

The Honorable James Segilia
Mayor

Mr. Stanley Kunia
Council President

Ms. Jane Sterling
Borough Manager

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.