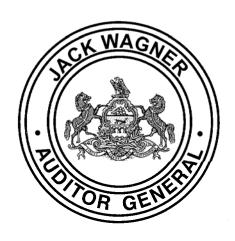
# TIOGA BOROUGH NONUNIFORMED PENSION PLAN TIOGA COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2009, TO DECEMBER 31, 2009



# TIOGA BOROUGH NONUNIFORMED PENSION PLAN TIOGA COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2009, TO DECEMBER 31, 2009

### **CONTENTS**

·	<u>Page</u>
Background	1
Letter from the Auditor General	3
Finding and Recommendation:	
Finding – Failure To Provide Periodic Benefit Payment Option	5
Supplementary Information	6
Report Distribution List	7

#### **BACKGROUND**

On December 18, 1984, the Pennsylvania Legislature adopted the Municipal Pension Plan Funding Standard and Recovery Act (P.L. 1005, No. 205, as amended, 53 P.S. § 895.101 et seq.). 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. Section 402(j) of Act 205 specifically requires the Auditor General, as deemed necessary, to make an audit of every municipality which receives general municipal pension system State aid and of every municipal pension plan and fund in which general municipal pension system State aid is deposited.

Pension plan aid is provided from a 2 percent foreign casualty insurance premium tax, a portion of the foreign fire insurance tax designated for paid firefighters and any investment income earned on the collection of these taxes. Generally, municipal pension plans established prior to December 18, 1984, are eligible for state aid. For municipal pension plans established after that date, the sponsoring municipality must fund the plan for three plan years before it becomes eligible for state aid. In accordance with Act 205, a municipality's annual state aid allocation cannot exceed its actual pension costs.

In addition to Act 205, the Tioga Borough Nonuniformed Pension Plan is also governed by implementing regulations adopted by the Public Employee Retirement Commission published at Title 16, Part IV of the Pennsylvania Code and applicable provisions of various other state statutes.

The Tioga Borough Nonuniformed Pension Plan is a single-employer defined contribution pension plan locally controlled by the provisions of Resolution No. 2005-4 and a separately executed adoption agreement dated December 29, 2005. Active members are not required to contribute to the plan. The municipality is required to contribute 3 percent of each member's compensation.



The Honorable Mayor and Borough Council Tioga Borough Tioga County Tioga, PA 16946

We have conducted a compliance audit of the Tioga Borough Nonuniformed Pension Plan for the period January 1, 2009, to December 31, 2009. The audit was conducted pursuant to authority derived from Section 402(j) of Act 205 and in accordance with *Government Auditing Standards* applicable to performance audits issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our finding and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objective.

The objective of the audit was to determine if the pension plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. Our audit was limited to the areas related to this objective.

Borough officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Tioga Borough Nonuniformed Pension Plan is administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. In conducting our audit, we obtained an understanding of the borough's internal controls as they relate to the borough's compliance with those requirements and that we considered to be significant within the context of our audit objective, and assessed whether those significant controls were properly designed and implemented. Additionally, we tested transactions, assessed official actions, performed analytical procedures and interviewed selected officials to the extent necessary to satisfy the audit objective.

The results of our tests indicated that, in all significant respects, the Tioga Borough Nonuniformed Pension Plan was 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 – Failure To Provide Periodic Benefit Payment Option

The accompanying supplementary information is presented for purposes of additional analysis. We did not audit the information and, accordingly, express no form of assurance on it.

The contents of this report were discussed with officials of Tioga Borough and, where appropriate, their responses have been included in the report.

September 14, 2010

JACK WAGNER Auditor General

## TIOGA BOROUGH NONUNIFORMED PENSION PLAN FINDING AND RECOMMENDATION

#### Finding – Failure To Provide Periodic Benefit Payment Option

<u>Condition</u>: The terms, provisions and conditions of the pension plan are stated in a separately executed adoption agreement dated December 29, 2005. However, the separately executed adoption agreement does not provide for a periodic benefit payment option.

<u>Criteria</u>: Section 102 of Act 205 contains the following definitions:

"Pension plan or system." The various aspects of the relationship between a municipality and its employees with respect to the retirement coverage provided by a municipality to the employees.

"Defined contribution pension plan." A type of pension benefit plan which provides for a fixed contribution rate or amount and which provides for periodic benefit payments calculable at retirement dependent on the accumulated contributions, investment income, experience gains and losses credited to the member and the expected mortality of the member.

<u>Cause</u>: Municipal officials failed to establish adequate internal control procedures to ensure the adoption agreement contained a periodic benefit payment option.

Effect: Retirees do not currently have a periodic benefit payment option available to them.

<u>Recommendation</u>: We recommend that municipal officials take appropriate action to ensure that the plan provides a periodic benefit payment option to retirees.

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

### TIOGA BOROUGH NONUNIFORMED PENSION PLAN SUPPLEMENTARY INFORMATION (UNAUDITED)

## SCHEDULE OF STATE AID AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid Deposited	Employer Contributions
2006	None	\$ 4,293
2007	None	4,423
2008	None	5,076
2009	\$ 3,645	1,468

### TIOGA BOROUGH NONUNIFORMED PENSION PLAN REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Edward G. Rendell Governor Commonwealth of Pennsylvania

Tioga Borough Nonuniformed Pension Plan
Tioga County
P.O. Box 158
18 North Main Street
Tioga, PA 16946

The Honorable Cathie Button Mayor

Mr. Harry Colegrove Council President

Ms. Michelle Davis Chief Administrative Officer

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, Room 318 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at www.auditorgen.state.pa.us.