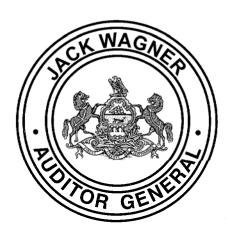
WEST WHITELAND TOWNSHIP POLICE PENSION PLAN CHESTER COUNTY

FOR THE PERIOD

JANUARY 1, 2007, TO DECEMBER 31, 2008



WEST WHITELAND TOWNSHIP POLICE PENSION PLAN CHESTER COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2007, TO DECEMBER 31, 2008

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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 West Whiteland Township Police 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 including, but not limited to, the following:

Act 600 - Police Pension Fund Act, Act of May 29, 1956 (P.L. 1804, No. 600), as amended, 53 P.S. § 761 et seq.

The West Whiteland Township Police Pension Plan is a single-employer defined benefit pension plan locally controlled by the provisions of Ordinance No. 362, adopted pursuant to Act 600. The plan is also affected by the provisions of collective bargaining agreements between the township and its police officers.



Board of Township Supervisors West Whiteland Township Chester County Exton, PA 19341

We have conducted a compliance audit of the West Whiteland Township Police Pension Plan for the period January 1, 2007, to December 31, 2008. 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 the objective identified above. West Whiteland Township contracted with an independent certified public accounting firm for annual audits of the West Whiteland Township Police Pension Plan's financial statements which are available at the township's offices. Those financial statements were not audited by us and, accordingly, we express no opinion or other form of assurance on them.

Township officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the West Whiteland Township Police 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 township's internal controls as they relate to the township'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 West Whiteland Township Police 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 – Incorrect Data On Certification Form AG 385 Resulting In An Underpayment Of State Aid

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 West Whiteland Township and, where appropriate, their responses have been included in the report.

October 15, 2009

JACK WAGNER Auditor General

WEST WHITELAND TOWNSHIP POLICE PENSION PLAN FINDING AND RECOMMENDATION

<u>Finding</u> – <u>Incorrect Data On Certification Form AG 385 Resulting In An Underpayment Of State Aid</u>

<u>Condition</u>: The township incorrectly totaled the number of police officers on the front page of the 2009 Certification Form AG 385. Although plan officials correctly listed the 29 eligible police officers (58 units) on the personnel roster which serves as support for the total number of plan members certified, they inadvertently reported 28 (56 units) as the total number of police officers included on the Certification Form.

<u>Criteria</u>: The accuracy of the data certified is a prerequisite for the township to receive the correct state aid allocation.

<u>Cause</u>: Plan officials failed to establish adequate internal control procedures to ensure the accuracy of the data certified.

<u>Effect</u>: The data submitted on this certification form is used, in part, to calculate the state aid due to the municipality for distribution to its pension plans. Because the township's state aid allocation was based on unit value, the township received an underpayment of state aid of \$6,256 as identified below:

| Units | Unit | | State Aid |
|-------------|----------|----|-------------|
| Understated | Value | Ur | nderpayment |
| | | | |
| 2 | \$ 3,128 | \$ | 6,256 |

Although the township will be reimbursed for the underpayment of state aid due to the township's certification error, the full amount of the 2009 state aid allocation was not available to be deposited timely and therefore was not available to pay operating expenses or for investment.

<u>Recommendation</u>: We recommend that, in the future, plan officials comply with the instructions that accompany Certification Form AG 385 to assist them in accurately reporting the required pension plan data.

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

WEST WHITELAND TOWNSHIP 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, except for distressed pension plans, for which annual reporting was required through January 1, 2003. The historical information, beginning as of January 1, 2003, is as follows:

| | (1) | (2) | (3) | (4) | (5) | (6) |
|-----------|--------------|--------------|------------|---------|--------------|------------------|
| | | | | | | Unfunded |
| | | | Unfunded | | | (Assets in |
| | | Actuarial | (Assets in | | | Excess of) |
| | | Accrued | Excess of) | | | Actuarial |
| | Actuarial | Liability | Actuarial | | | Accrued |
| Actuarial | Value of | (AAL) - | Accrued | Funded | Covered | Liability as a % |
| Valuation | Assets | Entry Age | Liability | Ratio | Payroll | of Payroll |
| Date | (a) | (b) | (b) - (a) | (a)/(b) | (c) | [(b-a)/(c)] |
| 01-01-03 | \$ 5,028,601 | \$ 5,460,995 | \$ 432,394 | 92.1% | \$ 1,773,418 | 24.4% |
| 01-01-05 | 5,746,482 | 6,405,698 | 659,216 | 89.7% | 2,032,327 | 32.4% |
| 01-01-07 | 7,058,568 | 7,747,996 | 689,428 | 91.1% | 2,329,252 | 29.6% |

Note: The market values of the plan's assets at 01-01-03, 01-01-05 and 01-01-07, have been adjusted to reflect the smoothing of gains and/or losses over a 5-year averaging period. This method will lower contributions in years of less than expected returns and increase contributions in years of greater than expected returns. The net effect over long periods of time is to have less variance in contribution levels from year to year.

WEST WHITELAND TOWNSHIP 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.

Trends in unfunded (assets in excess of) actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded (assets in excess of) actuarial accrued liability as a percentage of annual covered payroll (Column 6) approximately adjusts for the effects of inflation and aids analysis of the plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, where there is an unfunded actuarial accrued liability, the smaller this percentage, the stronger the plan. However, when assets are in excess of the actuarial accrued liability, the higher the bracketed percentage, the stronger the plan.

WEST WHITELAND TOWNSHIP POLICE PENSION PLAN SUPPLEMENTARY INFORMATION (UNAUDITED)

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER AND OTHER CONTRIBUTING ENTITIES

| Year Ended December 31 | Annual Required Contribution | Percentage Contributed |
|------------------------|------------------------------|------------------------|
| 2003 | \$ 73,832 | 170.0% |
| 2004 | 211,225 | 100.0% |
| 2005 | 225,298 | 100.0% |
| 2006 | 266,021 | 100.0% |
| 2007 | 282,080 | 100.0% |
| 2008 | 292,761 | 100.0% |

WEST WHITELAND TOWNSHIP POLICE PENSION PLAN SUPPLEMENTARY INFORMATION NOTES TO SUPPLEMENTARY SCHEDULES (UNAUDITED)

The information presented in the required 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, 2007

Actuarial cost method Entry age normal

Amortization method Level dollar

Remaining amortization period 11 years

Asset valuation method Market value, 5-year smoothing

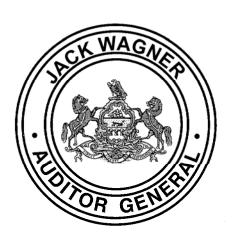
Actuarial assumptions:

Investment rate of return * 7.5%

Projected salary increases * 5.0%

* Includes inflation at Not disclosed

Cost-of-living adjustments None assumed



WEST WHITELAND TOWNSHIP POLICE PENSION PLAN REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Edward G. Rendell Governor Commonwealth of Pennsylvania

West Whiteland Township Police Pension Plan Chester County 222 North Pottstown Pike Exton, PA 19341

Ms. Diane Snyder Chairperson, Board of Township Supervisors

Mr. Michael Cotter Township Manager

Ms. Catherine Kleponis Finance Director

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.