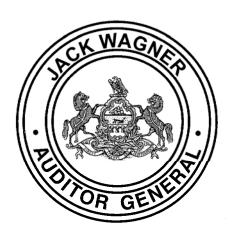
# WILLIAMSBURG BOROUGH POLICE PENSION PLAN BLAIR COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2005, TO DECEMBER 31, 2007



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#### **BACKGROUND**

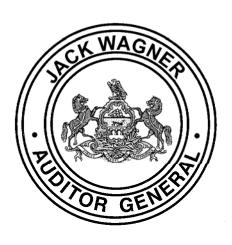
On December 18, 1984, the Pennsylvania Legislature adopted the Municipal Pension Plan Funding Standard and Recovery Act (P.L. 1005, No. 205, as amended, 53 P.S. § 895.101 et seq.). The act established mandatory actuarial reporting and funding requirements and a uniform basis for the distribution of state 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 Williamsburg Borough 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 120 - Foreign Casualty Insurance Premium Tax Allocation Law, Act of May 12, 1943 (P.L. 259, No. 120), as amended, 72 P.S. § 2263.1 et seq.

The Williamsburg Borough Police Pension Plan is a single-employer defined contribution pension plan locally controlled by the provisions of Ordinance No. 304, as amended, adopted pursuant to Act 120. Active members are not required to contribute to the plan. The municipality is required to contribute 15 percent of each member's wages.



The Honorable Mayor and Borough Council Williamsburg Borough Blair County Williamsburg, PA 16693

We have conducted a compliance audit of the Williamsburg Borough Police Pension Plan for the period January 1, 2005, to December 31, 2007. 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 our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

#### The objectives of the audit were:

- 1. To determine if municipal officials took appropriate corrective action to address the findings contained in our prior audit report; and
- 2. 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 objectives identified above. The borough has elected to purchase allocated insurance contracts to fund the pension benefits for plan members. Under an allocated funding arrangement, the insurer receives and retains consideration in exchange for a legally enforceable obligation to pay future benefits. In accordance with Statement No. 25 of the Governmental Accounting Standards Board, allocated insurance contracts are excluded from the pension plan's assets.

Borough officials are responsible for establishing and maintaining an internal control structure to provide reasonable assurance that the Williamsburg Borough Police Pension Plan is administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. To assist us in planning and performing our audit, we obtained an understanding of the borough's internal control structure as it relates to the borough's compliance with those requirements. Additionally, we tested transactions, assessed official actions, performed analytical procedures and interviewed selected officials to the extent necessary to satisfy the audit objectives.

The results of our tests indicated that, in all significant respects, the Williamsburg Borough Police Pension Plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. However, we noted a matter that has been included in the following observation further discussed later in this report:

Observation – Failure To Prepare Financial Statements

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 Williamsburg Borough and, where appropriate, their responses have been included in the report.

January 30, 2009

JACK WAGNER Auditor General

#### WILLIAMSBURG BOROUGH POLICE PENSION PLAN STATUS OF PRIOR FINDINGS

#### **Compliance With Prior Audit Recommendations**

Williamsburg Borough has complied with the prior audit recommendations concerning the following:

#### · State Aid Improperly Allocated To The Pension Plan

The police pension plan reimbursed \$10,786 to the borough's general fund for the improper allocation of state aid to the pension plan (See Comment); and

#### Receipt Of State Aid In Excess Of Entitlement

The borough reimbursed \$5,105 to the Commonwealth for the excess state aid received in the years 2004 and 2005.

#### Status Of Prior Audit Recommendation

#### · Failure To Prepare Financial Statements

The status of the prior audit recommendation is addressed in the Observation discussed later in this report.

## WILLIAMSBURG BOROUGH POLICE PENSION PLAN SUPPLEMENTARY INFORMATION

## SCHEDULE OF STATE AID AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid Deposited	Employer Contributions
2002	None	None
2003	None	None
2004	None	None
2005	None	None
2006	None	None
2007	None	None

### WILLIAMSBURG BOROUGH POLICE PENSION PLAN OBSERVATION

#### Observation - Failure To Prepare Financial Statements

Plan officials have not prepared financial statements or required notes to the financial statements for the police pension plan for the years ended December 31, 2005, 2006 and 2007.

Financial reporting assists in fulfilling a municipality's duty to be publicly accountable and should enable users to assess accountability. Guidance for the form and content of annual financial statements and notes to the financial statements can be found in Governmental Accounting Standards Board Statements No. 25 (GASB 25), as amended by No. 50 (GASB 50), and No. 3 (GASB 3), as amended by No. 40 (GASB 40).

Plan officials should consider establishing and implementing procedures to ensure the preparation of annual financial statements, which include note disclosures required by GASB 25, as amended by GASB 50, and GASB 3, as amended by GASB 40, in accordance with accounting principles generally accepted in the United States of America.

#### WILLIAMSBURG BOROUGH POLICE PENSION PLAN COMMENT

At December 31, 2007, the police pension plan had an asset balance of \$369,122 that was not earmarked for an individual member of the municipality's defined contribution police pension plan.

On December 2, 1985, the municipality passed Ordinance No. 287 providing for the irrevocable commitment of certain state funds payable to the Borough of Williamsburg to the police pension plan. This ordinance was established in accordance with Act 205, Section 403(a), which states in part:

Any funds paid to a municipality pursuant to the act of May 12, 1943 (P.L. 259, No. 120), referred to as the Foreign Casualty Insurance Premium Tax Allocation Law, prior to the effective date of this act, and which have been either actually expended or, by action of the municipality, are irrevocably committed to be expended only in accordance with the Foreign Casualty Insurance Premium Tax Allocation Law, shall not be returned for redistribution pursuant to section 1.2 of the Foreign Casualty Insurance Premium Tax Allocation Law.

Because the pension plan has an irrevocable asset balance, state aid and municipal contributions cannot be allocated to this plan until the asset balance is depleted.

### WILLIAMSBURG BOROUGH POLICE PENSION PLAN REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Edward G. Rendell Governor Commonwealth of Pennsylvania

Williamsburg Borough Police Pension Plan Blair County 305 East Second Street Williamsburg, PA 16693

The Honorable Theodore R. Hyle Mayor

Mr. Ernest D. Hetrick Council President

Mr. F. Dennis Clapper Borough Manager

Ms. Mary Ann Over Secretary/Treasurer

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.