

# COMPLIANCE AUDIT

---

## Coaldale Borough Non-Uniformed Pension Plan Schuylkill County, Pennsylvania For the Period January 1, 2022 to December 31, 2022

---

May 2024



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General



**Commonwealth of Pennsylvania  
Department of the Auditor General  
Harrisburg, PA 17120-0018  
Facebook: Pennsylvania Auditor General  
Twitter: @PAAuditorGen  
www.PaAuditor.gov**

**TIMOTHY L. DEFOOR  
AUDITOR GENERAL**

The Honorable Mayor and Borough Council  
Coaldale Borough  
Schuylkill County  
Coaldale, PA 18218

We have conducted a compliance audit of the Coaldale Borough Non-Uniformed Pension Plan for the period January 1, 2022 to December 31, 2022. We also evaluated compliance with some requirements subsequent to that period when possible. The audit was conducted pursuant to authority derived from the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984, as amended, 53 P.S. § 895.402(j)), which requires the Auditor General, as deemed necessary, to audit every municipality which receives general municipal pension system state aid and every municipal pension plan and fund in which general municipal pension system state aid is deposited. The audit was not conducted, nor was it required to be, in accordance with Government Auditing Standards issued by the Comptroller General of the United States. We planned and performed the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and 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 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. To determine if municipal officials took appropriate corrective action to address the findings contained in our prior report, we inquired of plan officials and evaluated supporting documentation provided by officials evidencing that the suggested corrective action has been appropriately taken. To determine whether the pension plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies, our methodology included the following:

- We determined 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 period under audit.
- We determined 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.
- We determined whether annual employee contributions 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 period under audit and examining documents evidencing the deposit of these employee contributions into the pension plan. We also tested individual employee contributions for the active employee employed during the audit period amounting to \$977 for the year 2022.
- We determined whether retirement benefits calculated for the plan member who retired during the current audit 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 benefits due to the retired individual and comparing these amounts to supporting documentation evidencing amounts determined and actually paid to the recipient.
- We determined whether the January 1, 2021 actuarial valuation report was prepared and submitted by March 31, 2022, in accordance with Act 205 and whether selected information provided on this report 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.

The Coaldale Borough Non-Uniformed Pension Plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Annual Comprehensive Financial Report, copies of which are available from the PMRS accounting office. PMRS's financial statements were not audited by us and, accordingly, we express no opinion or other form of assurance on them.

Borough officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Coaldale Borough Non-Uniformed Pension Plan is administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. As previously described, we tested transactions, interviewed selected officials, and performed procedures to the extent necessary to provide reasonable assurance of detecting instances of noncompliance with legal and regulatory requirements or noncompliance with provisions of contracts, administrative procedures, and local ordinances and policies that are significant within the context of the audit objectives.

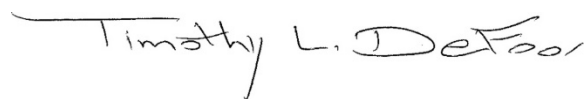
The results of our procedures indicated that, in all significant respects, the Coaldale Borough Non-Uniformed Pension Plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies, except as noted in the following findings further discussed later in this report:

- Finding No. 1 – Partial Compliance with Prior Recommendation – Municipal Contributions Made In Excess Of Contributions Required To Fund The Plan
- Finding No. 2 – Partial Compliance With Prior Recommendation – Allocation Of State Aid In Excess Of Entitlement
- Finding No. 3 – Late Filing Of Actuarial Valuation Report

Finding No. 1 and 2 contained in this audit report repeat conditions that were cited in our previous report that have not been corrected by borough officials. We are concerned by the borough's failure to correct this previously reported finding and strongly encourage timely implementation of the recommendation noted in this audit report.

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 Coaldale Borough and, where appropriate, their responses have been included in the report. We would like to thank borough officials for the cooperation extended to us during the conduct of the audit.



Timothy L. DeFoor  
Auditor General  
May 14, 2024

## CONTENTS

	<u>Page</u>
Background.....	1
Status of Prior Findings .....	2
Findings and Recommendations:	
Finding No. 1 – Partial Compliance With Prior Recommendation – Municipal Contributions Made In Excess Of Contributions Required To Fund The Plan .....	3
Finding No. 2 – Partial Compliance With Prior Recommendation – Receipt Of State Aid In Excess Of Entitlement .....	4
Finding No. 3 – Late Filing Of Actuarial Valuation Report .....	5
Supplementary Information .....	8
Report Distribution List .....	9

## 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.

Annual state aid allocations are provided from a two percent foreign (out-of-state) casualty insurance premium tax, a portion of the foreign (out-of-state) 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 Coaldale Borough Non-Uniformed Pension Plan is also governed by implementing regulations 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 15 - Pennsylvania Municipal Retirement Law, Act of February 1, 1974  
(P.L. 34, No. 15), as amended, 53 P.S. § 881.101 et seq.

The Coaldale Borough Non-Uniformed Pension Plan is a single-employer cash balance pension plan locally controlled by the provisions of Ordinance No. 2021-5 and a separately executed plan agreement with the plan custodian effective January 1, 2020, adopted pursuant to Act 15. The plan is also affected by the provisions of collective bargaining agreements between the borough and its non-uniformed employees. The plan was established January 1, 2005. Active members are required to contribute one and one-half percent of compensation to the plan and may contribute up to 10 percent of compensation. The municipality is required to contribute three percent of each members compensation. As of December 31, 2022, the plan had one active member, and one terminated member eligible for vested benefits in the future.

COALDALE BOROUGH NON-UNIFORMED PENSION PLAN  
STATUS OF PRIOR FINDINGS

Partial Compliance With Prior Recommendation

Coaldale Borough partially complied with the prior recommendations concerning the following as further discussed in the Findings and Recommendations section of this report:

- Municipal Contributions Made In Excess Of Contributions Required To Fund The Plan

During the current audit period, the borough limited municipal contributions made to the pension plan to the pension plan's annual pension costs. However, the borough failed to properly liquidate the unallocated reserve fund maintained by the non-uniformed pension plan (*\$10,409 as of the December 31, 2021 prior period ending date*) by transferring the assets representing nonstate aid funds, to the borough's general fund as further discussed in the findings and recommendations of this report.

- Allocation Of State Aid In Excess Of Entitlement

During the current audit period, the borough limited state aid allocated to the non-uniformed pension plan with the plan's annual pension costs. However, the borough failed to re-allocate the excess state aid allocated to the non-uniformed plan during 2019 to its defined benefit pension plan, as further discussed in the findings and recommendations of this report.

COALDALE BOROUGH NON-UNIFORMED PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Partial Compliance With Prior Recommendation – Municipal Contributions Made In Excess Of Contributions Required To Fund The Plan**

Condition: As disclosed in the Status of Prior Findings section of this report, the borough partially complied with the prior recommendation by limiting municipal contributions to the pension plan to the plan's annual pension costs during the current audit period. It was also recommended that the borough liquidate the unallocated reserve fund (\$10,409 as of December 31, 2021) maintained by the non-uniformed pension plan by transferring the assets representing non-state aid funds to the borough's general fund including any interest income earned through the date of transfer. However, on January 1, 2022, the plan's unallocated municipal reserve fund \$10,409, along with an additional \$20,098 in municipal reserves, which were not yet available, was erroneously transferred to the retiree reserve to fund the benefit of a disabled participant, instead of the borough's general fund. *(The custodian noted that the funds should have been transferred from the member reserve not the municipal reserve and was subsequently corrected during 2023. However, custodial account statements were not yet available to confirm this correction as of completion of fieldwork.)*

Criteria: Section 9.1(a) of the governing document states, in part:

The Municipality shall contribute 3.0% of each Member's compensation.

Since state aid allocated to a pension plan must be expended on pension costs, it is the opinion of this department that where municipal contributions and state aid are both deposited into a pension plan, the state aid is expended first to fund pension costs.

Cause: There was a complete turnover of plan officials responsible for administration of the pension plan and newly appointed officials were not aware of the custodian's inadvertent transfer of the plan's unallocated reserve, earmarked for liquidation to the borough's general fund, to the retiree reserve. Additionally, the borough lacked adequate internal control procedures to effectively monitor the activity of the plan, such as reviewing transactions reported on the annual account statements provided by the custodian for propriety, relative to the proper liquidation of the excess reserves to ensure compliance with the prior audit recommendation.

Effect: As a result, prior contributions from borough general funds made to the non-uniformed pension plan in excess of amounts required to fund the pension plan and resulting in a reserve fund in the amount of \$10,409 as of December 31, 2021, were not appropriately returned to the borough to further other general municipal government purposes.

It is the opinion of this department that the borough's failure to withdraw excess municipal contributions made in prior years does not preclude the borough from withdrawing the municipal contributions maintained in the unallocated reserve fund at this time.



COALDALE BOROUGH NON-UNIFORMED PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (Continued)**

Recommendation: We recommend the borough contact the custodian and ensure the current municipal reserve was reimbursed for the improper transfer made during 2022. After confirming reimbursement, we again recommend the borough liquidate the unallocated reserve fund maintained by the non-uniformed pension plan by transferring the assets which represent nonstate aid funds, to the borough’s general fund. In addition, any interest income earned on assets held in the reserve fund to the date of transfer should also be transferred to the general fund.

Management’s Response:

Municipal officials agreed with the finding without exception and have contacted the custodian about the erroneous disbursement from the municipal reserve account and plan to liquidate the excess municipal contributions as soon as the custodian reimburses the current reserve for the improper transfer.

Auditor’s Conclusion: Based on the management response, it appears municipal officials intend to comply with the finding recommendation. Compliance will be evaluated during our next audit of the plan.

**Finding No 2 – Partial Compliance With Prior Recommendation – Receipt Of State Aid In Excess Of Entitlement**

Condition: As disclosed in the Status of Prior Finding section of this report, the borough partially complied with the prior recommendation by limiting state aid allocated to the non-uniformed pension plan with the plan’s annual pension costs. It was also recommended that the borough re-allocate the excess state aid originally allocated to the non-uniformed pension plan during 2019 (\$592) to the borough’s defined benefit pension plan. However as of the fieldwork completion date, the excess state aid remained in the non-uniformed pension plan.

Criteria: Section 402(f)(2) of Act 205 states:

No municipality shall be entitled to receive an allocation of general municipal pension system State aid in an amount which exceeds the aggregate actual financial requirements of any municipal pension plans for police officers, paid firefighters or employees other than police officers or paid firefighters maintained by the municipality, less the amount of any aggregate annual member or employee contributions during the next succeeding plan year, as reported in the most recent complete actuarial report filed with the commission.

COALDALE BOROUGH NON-UNIFORMED PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

Cause: The Council president indicated that the borough was not aware this finding was disclosed in the prior report. Additionally, the treasurer was newly appointed in January 2024 and was also unaware of this outstanding issue.

Effect: It is this department’s opinion that because the entire proceeds of the insurance premium tax on foreign casualty insurance companies are distributed annually to each eligible recipient municipality, it is inappropriate to use state aid in one year to offset pension costs in other years; however, the borough does have the option to allocate the excess state aid to its defined benefit pension plan.

Recommendation: We again recommend that the borough re-allocate the \$592 of excess 2019 state aid to the borough’s defined benefit pension plan.

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

Auditor’s Conclusion: Compliance will be evaluated during our next audit of the plan.

**Finding No. 3 – Late Filing Of Actuarial Valuation Report**

Condition: Actuarial valuation report (AVR) Form A, for the non-uniformed pension plan with a valuation date of January 1, 2021, was not submitted timely to the Municipal Pensions Reporting Program (MPRP) (*formerly the Public Employee Retirement Commission*) by the March 31, 2022, deadline, as required by Act 205. The January 1, 2021, AVR was not received until August 30, 2023. In addition, the AVR with a valuation date of January 1, 2023, had not been filed by the borough as of the date of this report.

Criteria: Section 201(a) of Act 205 states, in part:

Each municipality which has established or maintains a pension plan for its employees, including any municipality which participates in the Pennsylvania Municipal Retirement System, shall cause to be made actuarial valuation reports. Actuarial valuation reports shall be made biennially, unless the applicable municipality is applying or has previously applied for supplemental State assistance pursuant to Section 603, whereupon actuarial valuation reports shall be made annually.

COALDALE BOROUGH NON-UNIFORMED PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 3 – (Continued)**

Furthermore, Section 201(b) of Act 205 states, in part:

The biennial actuarial valuation report required pursuant to subsection (a) shall be made as of the beginning of each plan year occurring in an odd-numbered calendar year and shall be filed with the executive director of the commission no later than the last business day of March occurring in the following calendar year.

In addition, Section 204 of Act 205 provides:

If a complete actuarial valuation report or experience investigation is not filed in a timely fashion, any and all financing which is provided to the municipality by the Commonwealth and is dedicated for pension plan purposes shall be withheld until the report or investigation is filed.

Finally, Section 402(e)(7) of Act 205 states, in part:

Any municipality which has not filed with the commission on a timely basis, pursuant to the applicable municipal pension plan actuarial reporting law, an actuarial report for each of the municipal pension plans which it has established or maintains shall be entitled to receive as general municipal pension system State aid, at such time as compliance with the actuarial reporting requirement occurs, the adjusted amount of general municipal pension system State aid per unit . . . .

Cause: There was a turnover in plan officials responsible for administration of the pension plan and the individual who filed the January 1, 2021, report late is no longer employed by the borough. The recently appointed treasurer does not know why the report was filed late.

Effect: Due to the late filing of the January 1, 2021, actuarial valuation report, the borough's 2023 state aid allocation was withheld until the outstanding report was filed. In addition, the adjusted unit value of \$4,545 was used to calculate the borough's state aid allocation, instead of regular unit value of \$5,828. Because the municipality's state aid allocation was based on unit value, the borough received \$8,981 ( $\$5,828 - \$4,545$ ) \*7 units certified) less state aid than it would have received had the actuarial valuation report been submitted in a timely manner. Further, the total reduced state aid allocation received by the borough, in the total amount of \$31,816, was not released until December 29, 2023, (93 days after the release of state aid for those municipalities who submitted their reports by the filing deadline). Consequently, for 93 days, the municipality did not have state aid available to fund benefits, pay operating expenses or for investment opportunities.

COALDALE BOROUGH NON-UNIFORMED PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 3 – (Continued)**

Moreover, if the borough fails to submit its January 1, 2023, AVR for the Non-Uniformed Pension Plan to the MPRP, future state aid could be withheld, reduced and/or delayed.

Recommendation: We recommend the borough immediately submit their outstanding January 1, 2023, AVR for the non-uniformed pension plan to the MPRP. To ensure that future actuarial filing deadlines are met in a timely manner and to improve pension plan administration, we recommend the borough develop and implement internal control procedures, such as a calendar listing the various reporting and filing deadlines required by Act 205, including the actuarial valuation report filing date.

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

Auditor's Conclusion: Compliance will be evaluated during our next audit of the plan.

COALDALE BOROUGH NON-UNIFORMED PENSION PLAN  
 SUPPLEMENTARY INFORMATION  
 (UNAUDITED)

SCHEDULE OF CONTRIBUTIONS

Year Ended December 31	Statutorily Required Contribution (SRC)*	Contributions in Relation to the SRC*	Contribution Deficiency (Excess)**	Covered- Employee Payroll***	Contributions as a Percentage of Covered- Employee Payroll
2014	\$ 1,516	\$ 648	\$ 868	\$ 53,662	1.21%
2015	1,637	1,432	205	59,608	2.40%
2016	1,500	1,571	(71)	48,652	3.23%
2017	3,022	434	2,588	99,398	0.44%
2018	3,164	4,684	(1,520)	104,126	4.50%
2019	2,522	4,804	(2,282)	82,089	5.85%
2020	1,263	1,263	-	40,084	3.15%
2021	1,570	1,569	1	50,315	3.12%
2022	1,209	1,210	(1)	38,325	3.16%

\* The Statutorily Required Contribution (SRC) is a contribution amount based upon the payroll and the contribution rate as outlined under the terms of the cash balance pension plan.

\*\* The SRC and the actual Contributions in Relation to the SRC were provided by the custodian. Deviation between these amounts may be due to contributions to or transfers from the municipal reserve account. In 2014, 2015 and 2017, the borough transferred \$868, \$205, and \$2,588, respectively, from the municipal reserve account. In 2016, 2018 and 2019, the borough deposited in excess, \$71, \$1,520, and \$2,282, respectively, into the municipal reserve account (*refer to Finding No. 1, for 2019, excess also includes excess state aid refer to Finding No. 2*).

COALDALE BOROUGH NON-UNIFORMED PENSION PLAN  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

**The Honorable Joshua D. Shapiro**  
Governor  
Commonwealth of Pennsylvania

**The Honorable Eric Ramirez**  
Mayor

**Ms. Claire Remington**  
Council President

**Ms. Beth Schreffler**  
Secretary

**Ms. Catherin Papesh**  
Borough Treasurer

**Mr. Richard Cardamone, CPA, CGMA**  
Pennsylvania Municipal Retirement System

This report is a matter of public record and is available online at [www.PaAuditor.gov](http://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](mailto:news@PaAuditor.gov).