

# LIMITED PROCEDURES ENGAGEMENT

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## Emlenton Borough Police Pension Plan Venango County, Pennsylvania For the Period January 1, 2014 to December 31, 2017

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December 2018



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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AUDITOR GENERAL

The Honorable Mayor and Borough Council  
Emlenton Borough  
Venango County  
Emlenton, PA 16373

We conducted a Limited Procedures Engagement (LPE) of the Emlenton Borough Police 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 findings 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 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.

Based on the results of our procedures performed during our LPE, nothing came to our attention indicating that the Emlenton Borough Police 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 Emlenton 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.

November 8, 2018



EUGENE A. DEPASQUALE  
Auditor General

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EMLENTON BOROUGH POLICE PENSION PLAN  
STATUS OF PRIOR FINDINGS

Compliance With Prior Audit Recommendations

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

· Receipt Of State Aid In Excess Of Entitlement

During the current engagement period, borough officials reimbursed \$2,280 to the Commonwealth for the excess state aid received in the year 2011.

· Incorrect Data On Certification Form AG 385 Resulting In An Overpayment Of State Aid

During the current engagement period, the borough reimbursed \$983 to the Commonwealth for the overpayment of state aid received in 2012 and complied with the instructions that accompanied Certification Form AG 385 and accurately reported the required data.

EMLENTON BOROUGH POLICE 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	\$ 2,597	\$ 848	\$ -
Interest	3,170	3,301	3,456
Difference between expected and actual experience	(2,631)	(1)	-
Transfers	-	(2,580)	-
Benefit payments, including refunds of member contributions	(1,127)	-	-
Net Change in Total Pension Liability	<u>2,009</u>	<u>1,568</u>	<u>3,456</u>
Total Pension Liability – Beginning	59,258	61,267	62,835
Total Pension Liability - Ending (a)	<u>\$ 61,267</u>	<u>\$ 62,835</u>	<u>\$ 66,291</u>
Plan Fiduciary Net Position			
Contributions – employer	\$ 60	\$ -	\$ -
Contributions – PMRS assessment	-	-	40
Contributions – employee	779	254	-
PMRS investment income	3,675	3,813	3,990
Market value investment income	(200)	(4,046)	1,593
Transfers	-	(2,580)	-
Benefit payments, including refunds of member contributions	(1,127)	-	-
PMRS administrative expense	(60)	(20)	(40)
Additional administrative expense	(141)	(159)	(195)
Net Change in Plan Fiduciary Net Position	<u>2,986</u>	<u>(2,738)</u>	<u>5,388</u>
Plan Fiduciary Net Position – Beginning	67,084	70,070	67,332
Plan Fiduciary Net Position - Ending (b)	<u>\$ 70,070</u>	<u>\$ 67,332</u>	<u>\$ 72,720</u>
Net Pension Liability - Ending (a-b)	<u>\$ (8,803)</u>	<u>\$ (4,497)</u>	<u>\$ (6,429)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	114.37%	107.16%	109.70%
Estimated Covered Employee Payroll	\$ 16,888	\$ 8,480	\$ -
Net Pension Liability as a Percentage of Covered Employee Payroll	(52.13)%	(53.03)%	N/A

EMLENTON BOROUGH POLICE 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	\$ 3,451	\$ (8,803)	\$ (21,056)
Net Pension Liability - 12/31/15	\$ 8,070	\$ (4,497)	\$ (17,064)

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	\$ 6,830	\$ (6,429)	\$ (19,687)

EMLENTON BOROUGH POLICE PENSION PLAN  
SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid	Employer Contributions
2012	None	\$ 1,647
2013	\$ 1,422	568
2014	None	None
2015	None	None
2016	None	None
2017	None	None

Note: In 2014, the borough met the plan's \$1,878 funding requirement through the liquidation of \$1,878 in terminated employee forfeitures. In addition, during 2015, the borough met the plan's \$614 funding requirement through the liquidation of \$614 in terminated employee forfeitures.



EMLENTON BOROUGH POLICE PENSION PLAN  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

**The Honorable Tom W. Wolf**  
Governor  
Commonwealth of Pennsylvania

**The Honorable Jamie Hunt**  
Mayor

**Mr. Barry Louise**  
Council President

**Ms. Nancy Marano**  
Borough Manager

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).