

# COMPLIANCE AUDIT

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## Wellsboro Borough Management Non-Uniformed Pension Plan Tioga County, Pennsylvania

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June 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**

Borough Council  
Wellsboro Borough  
Tioga County  
Wellsboro, PA 16901

We have conducted a compliance audit of the former Wellsboro Borough Management Non-Uniformed Pension Plan 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 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 finding 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 finding 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:

- For the period January 1, 2021 to September 28, 2022, 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. State aid deposited into the pension plan for the years ended December 31, 2018 to December 31, 2022, is presented on the Summary of Deposited State Aid and Employer Contributions
- For the period January 1, 2021 to September 28, 2022, 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. Employer contributions that were deposited into the pension plan for the years ended December 31, 2018 to December 31, 2022, are presented on the Summary of Deposited State Aid and Employer Contributions.
- For the period January 1, 2021 to September 28, 2022, we determined that there were no employee contributions required by the plan's governing document and applicable laws and regulations.
- For the period January 1, 2021 to September 28, 2022, we determined whether retirement benefits calculated for plan members who separated employment and received a lump-sum distribution during the period noted 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 pension benefits due to the retired individuals and comparing these amounts to supporting documentation evidencing amounts determined and actually paid to the recipients.

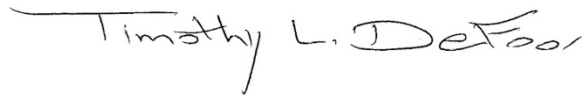
Wellsboro Borough contracted with an independent certified public accounting firm for audits of its basic financial statements which are available at the borough's offices. Those financial statements were not audited by us and, accordingly, we express no opinion or other form of assurance on them.

Borough officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the former Wellsboro Borough Management 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 former Wellsboro Borough Management Non-Uniformed Pension Plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies for the periods noted above.

On May 13, 2024, the Wellsboro Borough Council acknowledged closure of the former Wellsboro Borough Management Non-Uniformed Pension Plan effective December 31, 2021. During 2022, three former plan members received lump-sum distributions of account balances in accordance with the plan's governing document and on September 28, 2022, the remaining residual account balance of the former pension plan was liquidated, accordingly. This report represents the final audit of the former management pension plan.

The contents of this report were discussed with officials of Wellsboro 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.

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a long horizontal line extending to the left of the first letter.

Timothy L. DeFoor  
Auditor General  
May 31, 2024

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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.

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 former Wellsboro Borough Management Non-Uniformed Pension Plan was also governed by implementing regulations published at Title 16, Part IV of the Pennsylvania Code and applicable provisions of various other state statutes.

The former Wellsboro Borough Management Non-Uniformed Pension Plan was a single-employer defined contribution pension plan locally controlled by the provisions of Ordinance No. 681 and a separately executed adoption agreement effective January 1, 2016. The plan was established January 1, 2016. Active members were not required to contribute to the plan. The municipality was required to contribute seven percent of compensation per participant. On May 13, 2024, the Wellsboro Borough Council motioned to acknowledge closure of the former Wellsboro Borough Management Non-Uniformed Pension Plan effective December 31, 2021, at which time all three former plan members were enrolled in the Wellsboro Borough Non-Uniformed Defined Benefit Pension Plan. During 2022, all three former plan members received a lump-sum distribution of their accounts in accordance with the plan's governing document. On September 28, 2022, the remaining residual account balance of the former management non-uniformed pension plan was liquidated, accordingly.

WELLSBORO BOROUGH MANAGEMENT NON-UNIFORMED PENSION PLAN  
STATUS OF PRIOR FINDING

Compliance With Prior Recommendation

Wellsboro Borough has complied with the prior recommendation concerning the following:

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

The municipality returned \$9,559 to the Commonwealth for the overpayment of state aid received in the year 2018 and included applicable interest. In addition, for the period covered by the audit, the borough complied with the instructions that accompany Certification Form AG 385 and accurately reported the required pension data.

WELLSBORO BOROUGH MANAGEMENT NON-UNIFORMED PENSION PLAN  
SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS  
(UNAUDITED)

Year Ended December 31	State Aid	Employer Contributions
2017	None	\$ 3,650
2018	None	11,737
2019	None	11,916
2020	None	13,507
2021	None	13,700
2022*	None	None

*\* As disclosed in the Background section of this report, the former management non-uniformed pension plan was effectively closed on December 31, 2021. There were no additional contributions made to this plan after such date.*



WELLSBORO BOROUGH MANAGEMENT NON-UNIFORMED PENSION PLAN  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

**Mr. Matthew S. DeCamp**  
Council President

**Ms. Amy Kane Perry**  
Secretary/Treasurer

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).