

LIMITED PROCEDURES ENGAGEMENT

Centerville Borough Non-Uniformed Pension Plan Washington County, Pennsylvania For the Period January 1, 2014 to December 31, 2017

September 2018



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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**EUGENE A. DePASQUALE
AUDITOR GENERAL**

The Honorable Mayor and Borough Council
Centerville Borough
Washington County
Brownsville, PA 15417

We conducted a Limited Procedures Engagement (LPE) of the Centerville Borough Non-Uniformed 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 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 retirement benefits calculated for plan members who retired during the engagement 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 benefit due to retired individuals and comparing these amounts to supporting documentation evidencing amounts determined and actually paid to recipients.
- 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 reports 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.
- Whether refunds made to plan members were authorized in accordance with plan provisions and applicable laws and regulations.

Based on the results of our procedures performed during our LPE, nothing came to our attention indicating that the Centerville Borough Non-Uniformed 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 Centerville 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.



EUGENE A. DEPASQUALE
Auditor General

September 21, 2018

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

The supplementary information contained on Pages 1 and 2 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	\$ 29,625	\$ 38,621	\$ 35,997
Interest	25,258	30,473	32,761
Change of benefit terms	-	-	-
Difference between expected and actual experience	(9,475)	1,485	1,546
Changes of assumptions	-	2,240	4,145
Benefit payments, including refunds of member contributions	(27,995)	(30,989)	(30,989)
Net Change in Total Pension Liability	<u>17,413</u>	<u>41,830</u>	<u>43,460</u>
Total Pension Liability - Beginning	<u>538,374</u>	<u>555,787</u>	<u>597,617</u>
Total Pension Liability - Ending (a)	<u><u>\$ 555,787</u></u>	<u><u>\$ 597,617</u></u>	<u><u>\$ 641,077</u></u>
Plan Fiduciary Net Position			
Contributions – employer*	\$ 4,967	\$ 20,009	\$ 19,451
Contributions – PMRS assessment	-	180	200
Contributions – employee	11,524	17,022	16,546
PMRS investment income	25,630	30,241	32,347
Market value investment income	366	(31,466)	14,621
Benefit payments, including refunds of member contributions	(27,995)	(30,989)	(30,989)
PMRS administrative expense	(220)	(200)	(200)
Additional administrative expense	(983)	(1,261)	(1,585)
Net Change in Plan Fiduciary Net Position	<u>13,289</u>	<u>3,536</u>	<u>50,391</u>
Plan Fiduciary Net Position - Beginning	<u>530,027</u>	<u>543,316</u>	<u>546,852</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 543,316</u></u>	<u><u>\$ 546,852</u></u>	<u><u>\$ 597,243</u></u>
Net Pension Liability - Ending (a-b)	<u><u>\$ 12,471</u></u>	<u><u>\$ 50,765</u></u>	<u><u>\$ 43,834</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	97.76%	91.51%	93.16%
Estimated Covered Employee Payroll	\$ 230,438	\$ 269,985	\$ 243,136
Net Pension Liability as a Percentage of Covered Employee Payroll	5.41%	18.80%	18.03%

* Includes administrative expenses paid from surplus funds.

CENTERVILLE BOROUGH NON-UNIFORMED 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 1%, 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:

	<u>1% Decrease (4.50%)</u>	<u>Current Discount Rate (5.50%)</u>	<u>1% Increase (6.50%)</u>
Net Pension Liability - 12/31/14	\$ 84,836	\$ 12,471	\$ (57,585)
Net Pension Liability - 12/31/15	\$ 132,519	\$ 50,765	\$ (28,851)

The following presents the net pension liability of the borough as of December 31, 2016, calculated using the discount rate of 1%, 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:

	<u>1% Decrease (4.25%)</u>	<u>Current Discount Rate (5.25%)</u>	<u>1% Increase (6.25%)</u>
Net Pension Liability - 12/31/16	\$ 135,250	\$ 43,834	\$ (45,584)

CENTERVILLE BOROUGH NON-UNIFORMED PENSION PLAN
SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid	Employer Contributions
2012	\$ 15,857	\$ 3,041
2013	2,115	13,094
2014	4,747	None
2015	3,558	16,651
2016	12,941	6,710
2017	18,638	821

Note: In 2014, the borough met the plan's \$18,300 funding requirement through the deposit of \$4,747 in state aid and \$13,553 in terminated employee forfeitures. In 2015, the borough met the plan's \$21,799 funding requirement through the deposit of \$3,558 in state aid, \$1,590 in terminated employee forfeitures and \$16,651 in employer contributions.

CENTERVILLE BOROUGH NON-UNIFORMED PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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