

# LIMITED PROCEDURES ENGAGEMENT

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## Mayfield Borough Non-Uniformed Pension Plan Lackawanna County, Pennsylvania For the Period January 1, 2014 to December 31, 2017

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July 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  
Mayfield Borough  
Lackawanna County  
Mayfield, PA 18433

We conducted a Limited Procedures Engagement (LPE) of the Mayfield 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 municipal officials took appropriate corrective action to address the finding 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 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.

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

July 18, 2018



EUGENE A. DEPASQUALE  
Auditor General

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MAYFIELD BOROUGH NON-UNIFORMED PENSION PLAN  
STATUS OF PRIOR FINDING

Compliance With Prior Audit Recommendation

Mayfield Borough has complied with the prior audit recommendation concerning the following:

· Receipt Of State Aid In Excess Of Entitlement

During the current period, the borough reimbursed \$1,335 to the Commonwealth for the overpayment of state aid received in 2013 but omitted the required interest prescribed under Act 205. Subsequent to the current period, on June 12, 2018, the borough calculated and reimbursed to the Commonwealth, the interest owed on the excess state aid received during 2013 as required.

MAYFIELD BOROUGH NON-UNIFORMED 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	\$ 20,199	\$ 21,296	\$ 21,179
Interest	6,768	8,260	9,863
Net Change in Total Pension Liability	<u>26,967</u>	<u>29,556</u>	<u>31,042</u>
Total Pension Liability – Beginning	<u>115,323</u>	<u>142,290</u>	<u>171,846</u>
Total Pension Liability - Ending (a)	<u><u>\$ 142,290</u></u>	<u><u>\$ 171,846</u></u>	<u><u>\$ 202,888</u></u>
 Plan Fiduciary Net Position			
Contributions – employer	\$ 4,086	\$ 4,055	\$ 4,000
Contributions – PMRS assessment	-	40	40
Contributions – employee	16,199	17,296	17,179
PMRS investment income	6,713	8,261	9,850
Market value investment income	(627)	(9,985)	2,717
PMRS Administrative expense	(40)	(40)	(40)
Additional administrative expense	(257)	(344)	(483)
Net Change in Plan Fiduciary Net Position	<u>26,074</u>	<u>19,283</u>	<u>33,263</u>
Plan Fiduciary Net Position – Beginning	<u>114,138</u>	<u>140,212</u>	<u>159,495</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 140,212</u></u>	<u><u>\$ 159,495</u></u>	<u><u>\$ 192,758</u></u>
 Net Pension Liability - Ending (a-b)	<u><u>\$ 2,078</u></u>	<u><u>\$ 12,351</u></u>	<u><u>\$ 10,130</u></u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.54%	92.81%	95.01%
 Estimated Covered Employee Payroll	\$ 81,611	\$ 86,481	\$ 85,897
 Net Pension Liability as a Percentage of Covered Employee Payroll	2.55%	14.28%	11.79%

MAYFIELD 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 5.50%, and 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:

	<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	\$ 30,535	\$ 2,078	\$ (26,380)
Net Pension Liability - 12/31/15	\$ 46,720	\$ 12,351	\$ (22,018)

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:

	<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	\$ 50,708	\$ 10,130	\$ (30,447)

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

Year Ended December 31	State Aid	Employer Contributions
2012	\$ 3,291	\$ 749
2013	4,040	None
2014	3,454	632
2015	4,036	59
2016	2,606	1,434
2017	3,570	470



MAYFIELD BOROUGH NON-UNIFORMED PENSION PLAN  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

**The Honorable Alexander J. Chelik**  
Mayor

**Ms. Janice R. Joyce**  
Council President

**Ms. Phyllis A. Jaskowiec**  
Borough Secretary

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).