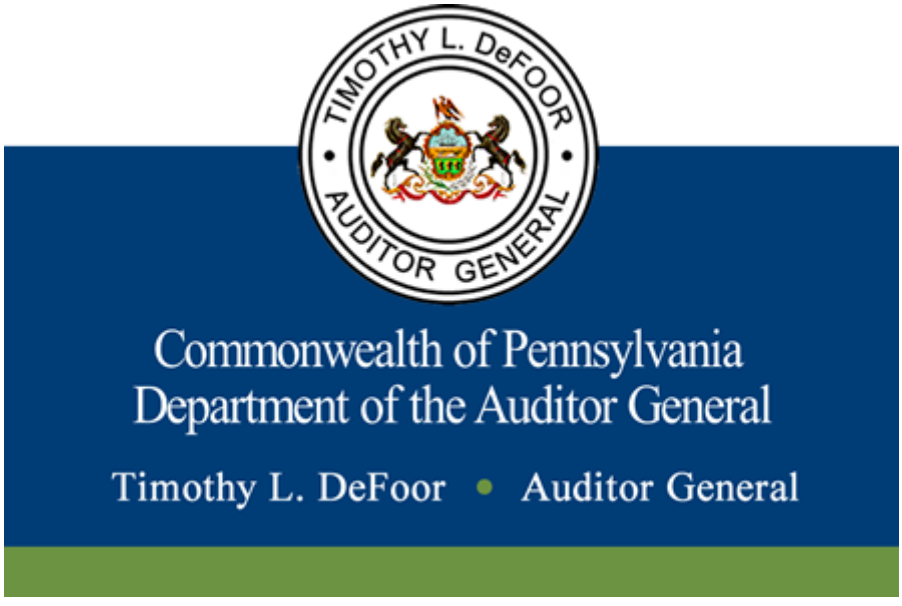
COMPLIANCE AUDIT

City of Aliquippa Firefighter Pension Plan

Beaver County, Pennsylvania

For the Period
January 1, 2023 to December 31, 2025

September 2026



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TIMOTHY L. DEFOOR
AUDITOR GENERAL

The Honorable Mayor and City Council
City of Aliquippa
Beaver County
Aliquippa, PA 15001

We have conducted a compliance audit of the City of Aliquippa Firefighter Pension Plan for the period January 1, 2023 to December 31, 2025. 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 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:

- 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 determined whether retirement benefits calculated for plan members 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 individuals and comparing these amounts to supporting documentation evidencing amounts determined and actually paid to the recipients.

- We determined whether the January 1, 2023 actuarial valuation report was prepared and submitted by March 31, 2024 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.

- We determined whether the pension plan is in compliance with Act 205 for distressed municipalities through inquiry of plan officials and evaluation of the recovery remedies implemented during the audit period.

The City of Aliquippa contracted with an independent certified public accounting firm for an audit of its basic financial statements for the year ended December 31, 2023, which are available at the city's offices. Those financial statements were not audited by us and, accordingly, we express no opinion or other form of assurance on them.

City officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the City of Aliquippa Firefighter 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 City of Aliquippa Firefighter 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 – Noncompliance With Prior Recommendation - Failure To Maintain Vested Benefit Calculations

Finding No. 2 – Excess Pension Benefits Paid

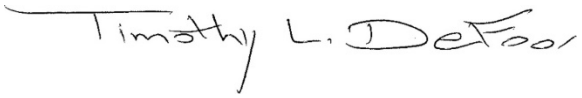
Finding No. 3 – Failure To Properly Fund The City's Pension Plans In Accordance With Special Taxing Provisions Of Act 205

Finding No. 4 – Failure To File Actuarial Valuation Report

Finding No. 1 contained in this audit report repeats a condition that was cited in our previous report that has not been corrected by city officials. We are concerned by the city's failure to correct this previously reported finding and strongly encourage timely implementation of the recommendations 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 the City of Aliquippa and, where appropriate, their responses have been included in the report. We would like to thank city officials for the cooperation extended to us during the conduct of the audit.



Timothy L. DeFoor
Auditor General
June 10, 2026

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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 City of Aliquippa Firefighter 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 67 - The Third Class City Code, Act of November 24, 2015 (P.L. 242, No. 67), as amended, 11 Pa. C.S. § 10101 et seq.

The City of Aliquippa Firefighter Pension Plan is a single-employer defined benefit pension plan locally controlled by the provisions of Ordinance No. 4 of 2008, as amended, adopted pursuant to Act 67. The plan is also affected by the provisions of collective bargaining agreements between the city and its firefighters. The plan was established July 1, 1964. Active members are required to contribute 5 percent of compensation to the plan, plus $1 per month until age 65. As of December 31, 2025, the plan had 9 active members, 3 terminated members eligible for vested benefits in the future, and 14 retirees receiving pension benefits from the plan.

CITY OF ALIQUIPPA FIREFIGHTER PENSION PLAN
STATUS OF PRIOR FINDING

Noncompliance With Prior Recommendation

The City of Aliquippa has not complied with the prior recommendation concerning the following as further discussed in the Findings and Recommendations section of this report:

- Failure To Maintain Vested Benefit Calculations

Finding No. 1 – Noncompliance With Prior Recommendation - Failure To Maintain Vested Benefit Calculations

Condition: As disclosed in the prior audit report, the city failed to calculate and maintain vested pension benefit calculations for plan members who terminated during prior audit periods. During the current audit period, the city again failed to calculate and maintain vested benefit calculations for those members previously identified in the prior audit period.

Criteria: Sound internal control procedures dictate that vested pension benefits should be determined in a timely manner following a plan member's termination of employment and that the city should maintain adequate supporting documentation to substantiate the accuracy of vested pension benefit determinations to avoid discrepancies occurring in the future when the former employees are eligible to begin to receive their pension benefits.

Cause: Plan officials again did not notify and authorize its pension consultant to prepare benefit calculations for the previously identified plan members and ensure compliance with the prior recommendation.

Effect: The failure of plan officials to calculate and maintain vested pension benefit calculations could result in inconsistent or improper benefit calculations and incorrect benefit payments from the pension plan.

Recommendation: We again recommend that plan officials calculate and maintain the vested benefit calculations for the remaining members who separated employment with the city and met the requirements for a deferred vested pension benefit under the plan document. We also again recommend that municipal officials establish adequate internal control procedures to ensure that all pension benefit calculations are properly determined and maintained by the city to substantiate the accuracy of the pension benefit payments occurring in the future when these members are eligible to begin receiving benefits.

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

Auditor's Conclusion: We are concerned that the municipality has not complied with the prior audit recommendation and encourage compliance at the earliest opportunity to do so.

Finding No. 2 – Excess Pension Benefits Paid

Condition: The pension plan paid pension benefits to a retiree in excess of what was due in the year 2024. The pensioner retired on July 2, 2024 and was due to begin receiving their benefit of $7,600 per month effective August 1, 2024, which should have totaled $38,000 for the five months of August through December 2024. However, the first payment to the retiree was a lump sum of $38,000 in October 2024, followed by monthly payments of $7,600 in October, November, and December 2024, for a total of $60,800.

Criteria: Section 4.02 of Ordinance No. 4 of 2008 states, in part:

> Each participant who shall become entitled to a benefit shall receive a benefit commencing on the Participant's Normal Retirement Date and paid in the Normal Form.

In addition, Section 7.01 of Ordinance No. 4 of 2008 states:

> The Normal Form for payment of retirement benefits shall be an annuity for the life of the Participant paid in equal monthly installments.

Cause: Plan officials failed to establish adequate internal control procedures to ensure the correct monthly benefit was paid to the retiree.

Effect: The pension plan paid excess pension benefit payments totaling $22,800 to a retiree.

Recommendation: We recommend that the pension plan be reimbursed for the excess pension benefit paid. We also recommend that plan officials develop and implement adequate internal control procedures to ensure pension benefits are paid in accordance with the pension plan's governing document.

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 – Failure To Properly Fund The City's Pension Plans In Accordance With Special Taxing Provisions Of Act 205

Condition: Under the discretionary remedies available through the distress provisions of Act 205 to provide short-term fiscal relief to local governments operating public pension plans, the city previously increased its Earned Income Tax rate for both residents and non-residents of the city for the sole purpose of defraying the additional costs required to be paid pursuant to Act 205 directly related to the city's pension plans. Additionally, the city commissioned its pension plan actuarial firm to prepare the calculation necessary to determine the appropriate funding levels mandated under the distress provisions of Act 205. However, during the current audit period, the city did not reconcile and maintain its required level of municipal contributions to the police, firefighter, and city employees' pension plans from other sources prior to implementation of the special tax as required by the distress provisions of Act 205.

Criteria: With regard to the MMO, Section 302(c) of Act 205 states, in part:

> Annually, the chief administrative officer of the pension plan shall determine the minimum obligation of the municipality with respect to the pension plan for the following plan year.

Section 302(d) of Act 205 states, in part:

> The minimum obligation of the municipality shall be payable to the pension plan from the revenue of the municipality.

Furthermore, relative to the funding of certain distressed pension plans, Section 607(f) of Act 205 states:

> **(f) Special municipal taxing authority.**
> (1) If the tax rates set by the municipality on earned income or on real property are at the maximum provided by applicable law, the municipality may increase its tax on either earned income or real property above those maximum rates. The proceeds of this special municipal tax increase shall be used solely to defray the additional costs required to be paid pursuant to this act which are directly related to the pension plans of the municipality. The municipality utilizing this special municipal taxing authority shall not reduce the level of municipal contributions to the pension plans prior to the implementation of the special municipal taxing authority. (Emphasis added.)

Finding No. 3 – (Continued)

(2) The average level of municipal contributions to the pension plans from all revenue sources for the three years immediately prior to the implementation of the special municipal taxing authority shall be expressed as a percentage of the average covered payroll for that same three-year period: Provided, however, That any supplemental contributions made to the plans pursuant to any pension recovery legislation enacted by the municipalities shall be excluded for purposes of determining the level of municipal contribution to the pension plans prior to the implementation of the special municipal taxing authority. In each year subsequent to the implementation of the special municipal taxing authority, the municipal contributions to the pension plan from all revenue sources existing prior to the implementation of the special existing municipal taxing authority, reduced by any supplemental pension recovery contributions, shall equal or exceed this average percentage of the current covered payroll. A municipality utilizing the provisions of section 404 may levy or continue to levy the special municipal tax increase under this subsection provided that the municipality does not reduce the level of municipal contributions to the pension plans prior to the implementation of the special municipal taxing authority. In executing the procedure prescribed in this subsection to determine the level of municipal contributions, the debt service payments for bonds or notes issued under section 404 shall be considered municipal contributions. (Emphasis added.)

Cause: Although city administrators commissioned an actuarial firm to prepare the calculation necessary to determine the appropriate funding levels mandated by Section 607(f) of Act 205, after enacting the special taxing legislation, plan officials failed to implement adequate internal control procedures to ensure that the city did not reduce its level of contributions to its pension plans prior to the implementation of the special municipal tax before application of funding available under the special tax provisions of Act 205.

Effect: The failure to properly apply the provisions of Section 607(f) of Act 205 and fund the pension plans with the required level of municipal contributions appears to have resulted in reduced annual funding towards the city's pension plans in 2023, 2024, and 2025 and could result in the plans not having sufficient resources to meet current and future benefit obligations to its members.

Recommendation: We recommend that the city reconcile the total contributions to the pension plans during 2023, 2024, and 2025 from sources other than the special tax funding with its required level of funding from sources prior the implementation of the special tax *(i.e., the baseline percentages as previously determined by the city)* in accordance with Act 205 and deposit the additional funds necessary to meet the city's required funding level for the respective years.

Finding No. 3 – (Continued)

In addition, we recommend that city officials implement adequate internal control procedures to ensure that in the future, the city does not reduce its level of contributions to its pension plans from funding sources in existence prior to the implementation of the special municipal tax and before application of funding available under the special tax provisions of Act 205. Such procedures should include maintaining appropriate supporting documentation identifying the sources of its annual contributions to its pension plans and performing annual reconciliations evidencing compliance with funding requirements.

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. 4 – Failure To File Actuarial Valuation Report

Condition: Actuarial valuation report form type C for the firefighter pension plan with a valuation date of January 1, 2025, was not submitted to the Municipal Pension Reporting Program by the March 31, 2026, deadline, as required by Act 205 and remained delinquent at the completion of our audit fieldwork.

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.

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.

Finding No. 4 – (Continued)

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 system State aid per unit….

Cause: Municipal officials failed to establish adequate internal controls to ensure that the report was filed as required.

Effect: Future state aid, if any, will be withheld until the necessary report is filed. In addition, the plan may receive less state aid than it would have received had the report been filed in a timely manner.

Recommendation: We recommend that the municipality take immediate action to complete the January 1, 2025 Act 205 actuarial valuation report which was due by March 31, 2026 and submit it to the Municipal Pension Reporting Program. By submitting the report as soon as possible, the municipality can minimize the length of time the pension state aid will be withheld due to the delinquent filing of the required report.

Furthermore, to ensure that future actuarial filing deadlines are met and to improve pension plan administration, we recommend that plan officials 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.

CITY OF ALIQUIPPA FIREFIGHTER PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULE OF FUNDING PROGRESS

Historical trend information about the plan is presented herewith as supplementary information. It is intended to help users assess the plan's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other state and local government retirement systems.

The actuarial information is required by Act 205 biennially. The historical information, beginning as of January 1, 2019, is as follows:

	(1)	(2)	(3)	(4)
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded (Assets in Excess of) Actuarial Accrued Liability (b) - (a)	Funded Ratio (a)/(b)
01-01-19	$ 5,507,271	$ 5,380,783	$ (126,488)	102.4%
01-01-21	6,843,304	6,058,376	(784,928)	113.0%
01-01-23	7,508,104	6,805,937	(702,167)	110.3%

Note: The market values of the plan's assets at 01-01-19, 01-01-21, and 01-01-23 have been adjusted to reflect a 4-year smoothing of gains and/or losses subject to a corridor between 90 to 110 percent of the market value of assets. This method will lower contributions in years of less than expected returns and increase contributions in years of greater than expected returns. The net effect over long periods of time is to have less variance in contribution levels from year to year.

CITY OF ALIQUIPPA FIREFIGHTER PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the actuarial accrued liability as a factor.

Analysis of the dollar amount of the actuarial value of assets, actuarial accrued liability, and unfunded (assets in excess of) actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability (Column 4) provides one indication of the plan's funding status on a going-concern basis. Analysis of this percentage, over time, indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan.

CITY OF ALIQUIPPA FIREFIGHTER PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER
AND OTHER CONTRIBUTING ENTITIES

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2020	$ 168,899	180.3%
2021	108,889	165.2%
2022	59,967	197.4%
2023	69,761	689.8%
2024	82,454	305.2%
2025	36,755	1,092.9%

CITY OF ALIQUIPPA FIREFIGHTER PENSION PLAN
SUPPLEMENTARY INFORMATION
NOTES TO SUPPLEMENTARY SCHEDULES
(UNAUDITED)

The information presented in the supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation date follows:

Actuarial valuation date	January 1, 2023
Actuarial cost method	Entry age normal
Amortization method	Not applicable
Remaining amortization period	None
Asset valuation method	Fair value, 4-year smoothing, subject to a corridor between 90-110% of the market value assets.
Actuarial assumptions:	
Investment rate of return	6.50%
Projected salary increases	4.75%

CITY OF ALIQUIPPA FIREFIGHTER PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

The Honorable Dwan Walker
Mayor

Mr. Donald C. Walker III
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Ms. Nora Lemon
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Mr. Samuel L. Gill
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