

COMPLIANCE AUDIT

Mount Pleasant Borough Non-Uniformed Pension Plan Westmoreland County, Pennsylvania

September 2025



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

The Honorable Mayor and Borough Council
Mount Pleasant Borough
Westmoreland County
Mount Pleasant, PA 15666

We have conducted a compliance audit of the Mount Pleasant Borough 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 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 findings 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 findings 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, 2023 to December 31, 2024, 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 the period January 1, 2020 to December 31, 2024, 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.
- For the period January 1, 2023 to December 31, 2024, 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 the years in the period noted and examining documents evidencing the deposit of these employee contributions into the pension plan. We also tested individual employee contributions for the two active employees who elected to contribute during the period noted amounting to \$4,634 and \$3,247 for the years 2023 and 2024, respectively.
- For the period January 1, 2023 to December 31, 2024, we determined whether retirement benefits calculated for the plan member 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 individual and comparing these amounts to supporting documentation evidencing amounts determined and actually paid to the recipient.
- 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.

The Mount Pleasant Borough Non-Uniformed Pension Plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Annual Comprehensive Financial Report, copies of which are available from the PMRS accounting office. PMRS's 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 Mount Pleasant Borough 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 Mount Pleasant Borough 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, except as noted in the following findings further discussed later in this report:

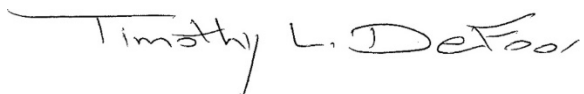
Finding No. 1 – Partial Compliance With Prior Recommendation – Receipt Of State Aid In Excess Of Entitlement

Finding No. 2 – Partial Compliance With Prior Recommendation – Municipal Contributions Made In Excess Of Contributions Required To Fund The Plan

The findings contained in this audit report repeat conditions that were cited in our previous report that have not been corrected by borough officials. We are concerned by the borough's failure to correct those previously reported findings and strongly encourage timely implementation of the recommendations noted 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 Mount Pleasant 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.



Timothy L. DeFoor
Auditor General
September 12, 2025

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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 Mount Pleasant Borough Non-Uniformed 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 15 - Pennsylvania Municipal Retirement Law, Act of February 1, 1974
(P.L. 34, No. 15), as amended, 53 P.S. § 881.101 et seq.

The Mount Pleasant Borough Non-Uniformed Pension Plan is a single-employer cash balance pension plan locally controlled by the provisions of Ordinance No. 617, as amended, and a separately executed plan agreement with the Pennsylvania Municipal Retirement System (PMRS), effective October 1, 2019, adopted pursuant to Act 15. The plan is also affected by the provisions of collective bargaining agreements between the borough and its non-uniformed employees. The plan was established January 1, 1990. Active members are not required to contribute, however, may contribute up to 10 percent of their compensation to the plan. The municipality was required to contribute \$3.45, \$3.55, \$3.65, \$3.75, and \$3.85 per hour worked for the years 2020, 2021, 2022, 2023, and 2024, respectively, to the plan for each eligible member. As of December 31, 2024, the plan had 4 active members, 3 terminated members eligible for vested benefits in the future, and 11 retirees receiving pension benefits.

MOUNT PLEASANT BOROUGH NON-UNIFORMED PENSION PLAN
STATUS OF PRIOR FINDINGS

Compliance With Prior Recommendations

Mount Pleasant Borough has complied with the prior recommendations concerning the following:

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

On July 27, 2021, the borough reimbursed \$6,142 to the Commonwealth for the overpayment of state aid received in 2020, with interest.

- Failure To Maintain An Adequate Record-Keeping System To Effectively Monitor Activity Of The Pension Plan

For the period subject to audit, the borough provided annual financial statements of transactions of the custodial account of the pension plan.

Partial Compliance With Prior Recommendations

Mount Pleasant Borough has partially complied with the prior recommendations concerning the following:

- Receipt Of State Aid In Excess Of Entitlement

On July 6, 2021, the borough reimbursed \$31,829 to the Commonwealth for the excess state aid received in 2016, 2017, 2018, and 2019, with interest. However, plan officials again failed to reconcile the annual state aid allocation with the plan's annual pension costs as further discussed in Finding No. 1 in the Findings and Recommendations section of this report.

- Municipal Contributions Made In Excess Of Contributions Required To Fund The Plan

On May 3, 2021, borough officials transferred \$13,800 from the plan's municipal reserve fund to the borough's general fund. However, plan officials again failed to reconcile the borough's annual state aid allocation and municipal contributions made to the pension plan resulting in an unallocated reserve fund as further discussed in Finding No. 2 in the Findings and Recommendations section of this report.

MOUNT PLEASANT BOROUGH NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Partial Compliance With Prior Recommendation – Receipt Of State Aid In Excess Of Entitlement

Condition: As disclosed in the Status of Prior Findings section of this report, the borough partially complied with the prior recommendation by returning excess state aid received in 2016, 2017, 2018, and 2019 to the Commonwealth. However, a similar condition occurred in 2020 and 2021. Municipal officials failed to reconcile the annual state aid allocation and available employee forfeitures with the plan's annual pension costs, as illustrated below:

	<u>2020</u>	<u>2021</u>
State aid allocation	\$ 66,727	\$ 61,271
State aid returned to the Commonwealth	<u>(30,427)</u>	<u>(27,100)</u>
Adjusted state aid received	36,300	34,171
Forfeiture available	19,795	13,675
Actual municipal pension costs	<u>(46,687)</u>	<u>(38,981)</u>
Excess state aid	<u><u>\$ 9,408</u></u>	<u><u>\$ 8,865</u></u>

Criteria: Section 402(f)(2) of Act 205 states:

No municipality shall be entitled to receive an allocation of general municipal pension system State aid in an amount which exceeds the aggregate actual financial requirements of any municipal pension plans for police officers, paid firefighters or employees other than police officers or paid firefighters maintained by the municipality, less the amount of any aggregate annual member or employee contributions during the next succeeding plan year, as reported in the most recent complete actuarial report filed with the commission.

Cause: The borough, again, failed to implement consistent procedures to annually reconcile the borough's state aid allocation and available employee forfeitures with the plan's annual pension costs.

MOUNT PLEASANT BOROUGH NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Effect: It is this department's opinion that because the entire proceeds of the insurance premium tax on foreign casualty insurance companies are distributed annually to each eligible recipient municipality, it is inappropriate to use state aid in one year to offset pension costs in other years. Consequently, the overpayments of state aid in the years 2020 and 2021 must be returned to the Commonwealth for redistribution.

Furthermore, the borough's future state aid allocations may be withheld until the finding recommendation is complied with.

Recommendation: We recommend that the municipality return the \$18,273 of excess state aid received in the years 2020 and 2021 to the Commonwealth. A check in this amount, with interest compounded annually from date of receipt to date of repayment, at a rate earned by the plan, should be made payable to: Commonwealth of Pennsylvania and mailed to: Department of the Auditor General, Bureau of Municipal Pension & Liquor Control Audits, 314 Finance Building, Harrisburg, PA 17120. A copy of the interest calculation must be submitted along with evidence of payment.

Furthermore, we again recommend that, in the future, plan officials reconcile the borough's annual state aid allocation and any available employee forfeitures with the plan's annual pension costs and reimburse any excess state aid received to the Commonwealth.

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

Auditor Conclusion: Due to the potential withhold of state aid, the borough's compliance with the finding recommendation will be monitored subsequent to the release of the audit report and through our next audit of the pension plan.

Finding No. 2 – Partial Compliance With Prior Recommendation – Municipal Contributions Made In Excess Of Contributions Required To Fund The Plan

Condition: As disclosed in the Status of Prior Findings section of this report, the borough partially complied with the prior recommendation by liquidating the unallocated reserve fund held in the municipal reserve account as of December 31, 2018 by transferring \$13,800 to the borough's general fund. However, during the period subject to audit, the borough again made deposits to the plan in excess of contributions required to fund the pension plan.

MOUNT PLEASANT BOROUGH NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Criteria: Per annual resolutions and the collective bargaining agreements between the borough and its non-uniformed employees, the borough was required to contribute \$3.45, \$3.55, \$3.65, \$3.75, and \$3.85 per hour worked for the years 2020, 2021, 2022, 2023, and 2024, respectively, to the plan for each eligible member.

In addition, since state aid allocated to a pension plan must be expended on pension costs, it is the opinion of this department that where municipal contributions and state aid are both deposited into a pension plan, the state aid is expended first to fund pension costs.

Cause: The borough failed to implement adequate internal control procedures to ensure that municipal contributions would not exceed the required contributions outlined in the plan's governing document.

Effect: As a result of the borough making deposits to the pension plan in excess of contributions required to fund the plan, an unallocated reserve fund exists in the municipal reserve account in the amount of \$74,157 as of December 31, 2024.

It is the opinion of this department that the borough's failure to withdraw excess municipal contributions made in prior years does not preclude the borough from withdrawing the municipal contributions maintained in the unallocated reserve fund at this time.

Recommendation: We again recommend that the borough liquidate the unallocated reserve fund maintained by the non-uniformed pension plan by transferring the assets, which represent non-state aid funds, to the borough's general fund. In addition, any interest income earned on assets held in the reserve fund to the date of transfer should also be transferred to the general fund.

We also recommend that, in the future, plan officials reconcile contributions made to the pension plan with the pension plan's annual pension costs.

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

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

MOUNT PLEASANT BOROUGH NON-UNIFORMED PENSION PLAN
POTENTIAL WITHHOLD OF STATE AID

Finding No. 1 contained in this audit report cites an overpayment of state aid to the borough in the amount of \$18,273, plus interest. A condition of this nature may lead to a total withholding of state aid in the future unless that finding is corrected. A check in this amount with interest, at a rate earned by the pension plan, should be made payable to: Commonwealth of Pennsylvania, and mailed to: Department of the Auditor General, Municipal Pension & Liquor Control Audits, 314 Finance Building, Harrisburg, PA 17120.

MOUNT PLEASANT BOROUGH NON-UNIFORMED PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULE OF CONTRIBUTIONS

<u>Year Ended December 31</u>	<u>Statutorily Required Contribution (SRC)*</u>	<u>Contributions in Relation to the SRC*</u>	<u>Contribution Deficiency (Excess)**</u>	<u>Covered- Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
2015	\$ 47,886	\$ 2,850	\$ 45,036	\$ 287,229	0.99%
2016	50,390	53,058	(2,668)	320,232	16.57%
2017	43,937	46,827	(2,890)	272,573	17.18%
2018	40,631	47,951	(7,320)	250,907	19.11%
2019	39,409	39,408	1	247,351	15.93%
2020	41,835	66,727	(24,892)	268,956	24.81%
2021	34,171	34,171	-	217,734	15.69%
2022	34,679	34,679	-	226,279	15.33%
2023	31,462	31,461	1	212,440	14.81%
2024	29,351	29,351	-	***	

* The Statutorily Required Contribution (SRC) is a contribution amount based upon the payroll and the contribution rate as outlined under the terms of the cash balance pension plan.

** The SRC and the actual Contribution were provided by PMRS. Deviation between these amounts may be due to contributions to or transfers from the municipal reserve account.

*** Due to the timing of this audit, covered-employee payroll for 2024 was not provided in this schedule.

MOUNT PLEASANT BOROUGH NON-UNIFORMED PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

The Honorable Diane Bailey
Mayor

Ms. Susan Ruszkowski
Council President

Ms. Sharon Lesko
Borough Manager

Mr. Richard Cardamone, CPA, CGMA
Pennsylvania Municipal Retirement System

This report is a matter of public record and is available online at 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.