

COMPLIANCE AUDIT

City of Sunbury Non-Uniformed Defined Contribution Pension Plan Northumberland County, Pennsylvania For the Period January 1, 2022 to December 31, 2024

February 2026



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**

The Honorable Mayor and City Council
City of Sunbury
Northumberland County
Sunbury, PA 17801

We have conducted a compliance audit of the City of Sunbury Non-Uniformed Defined Contribution Pension Plan for the period January 1, 2022 to December 31, 2024. 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

The objective of the audit was 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 objective identified above. 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. State aid allocations that were deposited into the pension plan for the years ended December 31, 2022 to December 31, 2024, are presented on the Summary of Deposited State Aid and Employer Contributions.

- 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, 2022 to December 31, 2024, are presented on the Summary of Deposited State Aid and Employer Contributions.
- 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 also tested individual employee contributions for all active employees employed during the audit period amounting to \$272, \$3,111, and \$7,034, for the years 2022, 2023, and 2024, respectively, made during the audit period.
- We determined that there were no benefit calculations prepared for the years covered by our audit period.
- 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 City of Sunbury contracted with an independent certified public accounting firm for annual audits of its basic financial statements for the years ended December 31, 2022 and 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.

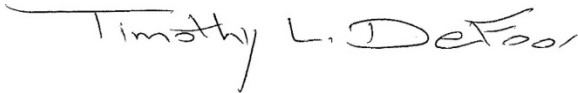
City officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the City of Sunbury Non-Uniformed Defined Contribution Pension Plan is administered in compliance with applicable state laws, regulations, contracts, administrative procedures, 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 objective.

The results of our procedures indicated that, in all significant respects, the City of Sunbury Non-Uniformed Defined Contribution 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 – Defined Contribution Pension Plan Not In Accordance With
The Third Class City Code

Finding No. 2 – Incorrect Data On Certification Form AG 385 Resulting In An
Overpayment Of State Aid

The contents of this report were discussed with officials of the City of Sunbury 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.

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 from the start of the name.

Timothy L. DeFoor
Auditor General
January 22, 2026

CONTENTS

	<u>Page</u>
Background.....	1
Findings and Recommendations:	
Finding No. 1 – Defined Contribution Pension Plan Not In Accordance With The Third Class City Code.....	2
Finding No. 2 – Incorrect Data On Certification Form AG 385 Resulting In An Overpayment Of State Aid.....	5
Potential Withhold of State Aid.....	8
Summary of Deposited State Aid and Employer Contributions.....	9
Report Distribution List.....	10

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 Sunbury Non-Uniformed Defined Contribution 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.

The City of Sunbury Non-Uniformed Defined Contribution Pension Plan is a single-employer defined contribution pension plan locally controlled by the provisions of Ordinance No. 1317 and a separately executed plan agreement with the plan's custodian effective January 1, 2022 for non-uniformed employees hired on or after January 1, 2022 (*refer to Finding No. 1*). The plan was established January 1, 2022. Active members are required to contribute five percent of compensation to the plan. The municipality is required to contribute five percent of compensation. As of December 31, 2024, the plan had five active members.

CITY OF SUNBURY NON-UNIFORMED DEFINED CONTRIBUTION PENSION PLAN
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Defined Contribution Pension Plan Not In Accordance With The Third Class
City Code**

Condition: The City maintains a defined benefit pension plan (*separately audited*) for its non-uniformed employees hired prior to January 1, 2022 that is administered with the Pennsylvania Municipal Retirement System (PMRS) and therefore governed by Act 15.¹ The City established a new defined contribution plan by Ordinance No. 1317 for its non-uniformed employees hired after January 1, 2022. This plan is not administered by PMRS. The City is subject to the provisions of the Third Class City Code regarding pension plans.² The new defined contribution plan does not provide the mandatory benefits set forth by the Third Class City Code which mandates a **defined benefit plan** for cities that choose to establish non-uniformed pension plans.

Provisions under the City’s new defined contribution plan include a fixed employer contribution rate and pension benefits dependent on the participant’s accumulated account balance at retirement. Defined benefit plans, on the other hand, provide for periodic benefit payments at retirement which are predeterminable and which have a variable financing requirement dependent upon the actuarial calculation of actuarial present value requirements for projected benefits.

Because the City’s defined contribution plan does not comport with governing law, state aid is not permitted to be utilized to fund this noncompliant pension plan, and the plan’s participants are not eligible for certification for state aid purposes.

The City hired the first defined contribution plan participants in 2022 and first certified them for state aid purposes on the Certification Form AG 385 filed in 2024 and again on the form filed in 2025. Furthermore, the City filed an actuarial valuation report for the defined contribution plan with a reporting date of January 1, 2023 with the Municipal Pension Reporting Program. Data from these forms/reports, along with data for the City’s compliant defined benefit non-uniformed and police pension plans, was used to determine the City’s annual state aid allocations. The inclusion of the ineligible defined contribution plan data improperly inflated the state aid allocations for 2024 and 2025. (See Finding No. 2.)

The City also deposited state aid into the defined contribution plan in 2023.³

¹ Pennsylvania Municipal Retirement Law, Act of February 1, 1974 (P.L. 34, No. 15), as amended, 53 P.S. § 881.101 *et seq.*

² The Third Class City Code, Act of November 24, 2015 (P.L. 242, No. 67), as amended, 11 Pa. C.S. § 10101 *et seq.*

³ The City’s 2023 state aid allocation was determined based on the certifications and filings for the City’s non-uniformed defined benefit and police pension plans.

CITY OF SUNBURY NON-UNIFORMED DEFINED CONTRIBUTION PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Criteria: The Third Class City Code sets forth pension benefit provisions for non-uniformed employees in Subchapter C, *Pension for Employees Other Than Police Officers and City-Paid Firefighters*, as follows:

Section 14340(a):

Cities may create a pension fund for employees who are not members of the police force or city-paid fire department and surviving spouses of retired members if council so elects and the families of employees that are injured or killed in service in the manner, under the conditions and subject to the qualifications set forth in this subchapter.⁴

Section 14342:

In a city which has created a pension fund and board in accordance with this subchapter, an employee 60 years of age or older who has been employed for a period of 20 years or more shall, upon application to the board, be retired from service and shall, subject to qualifications provided in this subchapter during the remainder of the employee's life, receive the pension or compensation fixed by this subchapter.⁵

Section 14343(a)(1):

During the lifetime of an individual employed by a city creating a fund and board in accordance with this subchapter, the individual shall be entitled to receive 50% of the amount which would constitute the highest average annual salary or wages which the individual received during the last or any five years of the individual's employment by the city as a pension annually, which shall be paid in semi-monthly payments.⁶

Subchapter C also sets forth additional provisions for non-uniformed defined benefit plans, including, but not limited to, required employee contributions and disability benefits.

⁴ 11 Pa.C.S. § 14340(a).

⁵ 11 Pa.C.S. § 14342.

⁶ 11 Pa.C.S. § 14343(a)(1).

CITY OF SUNBURY NON-UNIFORMED DEFINED CONTRIBUTION PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Act 205 provides the following definitions:

“Defined benefit pension plan.” A type of pension benefit plan which provides for periodic benefit payments at retirement which are predeterminable and which have a variable financing requirement dependent upon the actuarial calculation of actuarial present value requirements for projected benefits.

“Defined contribution pension plan.” A type of pension benefit plan which provides for a fixed contribution rate or amount and which provides for periodic benefit payments calculable at retirement dependent on the accumulated contributions, investment income, experience gains and losses credited to the member and the expected mortality of the member.⁷

Cause: The City was unaware that defined contribution plans are not in accordance with the Third Class City Code.

Effect: State aid that the City received as a result of certifying participants of the defined contribution plan and filing an actuarial valuation report for the plan must be returned to the Commonwealth (*refer to Finding No. 2*). In addition, state aid deposited into the defined contribution plan must be transferred to the City’s non-uniformed defined benefit plan (not to the police pension plan, since that plan is fully funded). Based on records provided by the City, \$2,115 of 2023 state aid was deposited into the defined contribution plan.

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

Recommendation: We recommend that the City transfer \$2,115 of 2023 state aid from the defined contribution plan **to the City’s non-uniformed defined benefit plan**. The City will need to address any funding deficiency that results.

We also recommend that the City refrain from certifying defined contribution plan participants on future Certification Forms AG 385, refrain from filing any future actuarial valuation reports for this noncompliant plan with the Municipal Pension Reporting Program, and refrain from depositing state aid into the defined contribution plan in the future.

We further recommend that City officials consult with the City’s solicitor regarding necessary action to ensure that the City provides pension benefits for its employees in accordance with the Third Class City Code.

⁷ 53 P.S. §895.102.

CITY OF SUNBURY NON-UNIFORMED DEFINED CONTRIBUTION PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Management’s Response: The finding was presented to the City on January 15, 2026, and City officials indicated that they would provide a response to this finding; however, as of February 12, 2026, no such response has been provided.

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

Finding No. 2 – Incorrect Data On Certification Form AG 385 Resulting In An Overpayment Of State Aid

Condition: The City certified employees who are in the non-uniformed defined contribution pension plan on the Certification Forms AG 385 filed in 2024 and 2025. As described in Finding No. 1, the non-uniformed defined contribution plan’s participants are not eligible for certification on the AG 385 Forms. In 2024 the ineligible certifications were related to three employees with a payroll of \$92,626. In 2025 the ineligible certifications were related to five employees with a payroll of \$185,514.

The City made certification errors for employees of the non-uniformed defined benefit pension plan on the Certification Forms AG 385 filed in 2022, 2023, and 2024. In 2022 the City certified an ineligible non-uniformed defined benefit (part-time) employee and overstated payroll by \$18,985 (reported in the prior audit report for the non-uniformed defined benefit plan and not addressed by the City). In 2023 the City certified the same ineligible non-uniformed defined benefit (part-time) employee and overstated payroll by \$19,751. Furthermore, the City failed to certify an eligible non-uniformed defined benefit employee and understated payroll by \$38,710 on the Certification Form AG 385 filed in 2024.

The data contained on these certification forms is based on prior calendar year information.

Criteria: Pursuant to Act 205, at Section 402(e)(2), an employee who has been employed on a full-time basis for at least six consecutive months and has been participating in a pension plan during the certification year is eligible for certification. The applicable number of units attributable to each eligible recipient city, borough, incorporated town, and township shall be two units for each police officer and firefighter and one unit for each employee other than police officer or firefighter.

CITY OF SUNBURY NON-UNIFORMED DEFINED CONTRIBUTION PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Cause: City officials were unaware that employees in the defined contribution pension plan are not eligible for certification for state aid purposes. Additionally, the City lacked adequate internal control procedures, such as having another individual review the data certified to ensure compliance with the instructions that accompanied Certification Form AG 385 prior to submission and to ensure compliance with the prior audit recommendation for the non-uniformed defined benefit plan.

Effect: The data submitted on these certification forms is used, in part, to calculate state aid due to the municipality for distribution to its pension plans. The effect of the certification errors on the City’s 2022 through 2025 state aid allocations is as follows:

<u>Year</u>	<u>Original Allocation</u>	<u>Corrected Allocation</u>	<u>State Aid Overpayment</u>
2022	\$ 186,902	\$ 181,983	\$ 4,919
2023	193,736	191,732	\$ 2,004
2024	210,344	206,355	\$ 3,989
2025	216,328	188,573	<u>\$ 27,755</u>
Total Overpayment of State Aid			<u><u>\$ 38,667</u></u>

In addition, the City used the overpayment of 2023 state aid to pay the 2023 minimum municipal obligation (MMO) due to the non-uniformed defined benefit pension plan; therefore, if the reimbursement to the Commonwealth is made from the pension plan, the plan’s 2023 MMO will not be fully paid.

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

Recommendation: We recommend that the state aid, in the amount of \$38,667, plus interest, be returned 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 pension plan, should be made payable to: Commonwealth of Pennsylvania and mailed to: Department of the Auditor General, Municipal Pension & Fire Relief Programs Unit, 321 Finance Building, Harrisburg, PA 17120. A copy of the interest calculation must be submitted along with the check.

CITY OF SUNBURY NON-UNIFORMED DEFINED CONTRIBUTION PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

We also recommend that plan officials establish adequate internal control procedures, such as having at least two people review the certified data, to ensure compliance with the Certification Form AG 385 and to assist them in accurately reporting the required pension data.

In addition, if the reimbursement to the Commonwealth is made from non-uniformed pension plan funds, we recommend that any resulting MMO deficiency be paid to the pension plan with interest, at a rate earned by the pension plan.

Management's Response: The finding was presented to the City on January 15, 2026, and City officials indicated that they would provide a response to this finding; however, as of February 12, 2026, no such response has been provided.

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

CITY OF SUNBURY NON-UNIFORMED DEFINED CONTRIBUTION PENSION PLAN
POTENTIAL WITHHOLD OF STATE AID

Finding No. 2 contained in this audit report cites an overpayment of state aid to the City in the amount of \$38,667, 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 & Fire Relief Programs Unit, 321 Finance Building, Harrisburg, PA 17120.

CITY OF SUNBURY NON-UNIFORMED DEFINED CONTRIBUTION PENSION PLAN
SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid	Employer Contributions
2022	None	\$ 272
2023	\$ 2,115	472
2024	None	7,034

The Department typically presents this data for the past six consecutive fiscal years. Since six years of data was not yet available, this will be done prospectively.

Note: In 2023, the City met the plan's \$3,110 funding requirement through the deposit of \$2,115 in state aid, \$472 in employer contributions, and the allocation of \$523 in terminated employee forfeitures.

CITY OF SUNBURY NON-UNIFORMED DEFINED CONTRIBUTION PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

The Honorable Joshua A. Brosious
Mayor

Mr. Jeffrey S. Wojciechowski
City Clerk

Ms. Robyn Garinger
Administrative Assistant

Ms. Lisa J. Martina
Treasurer

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.