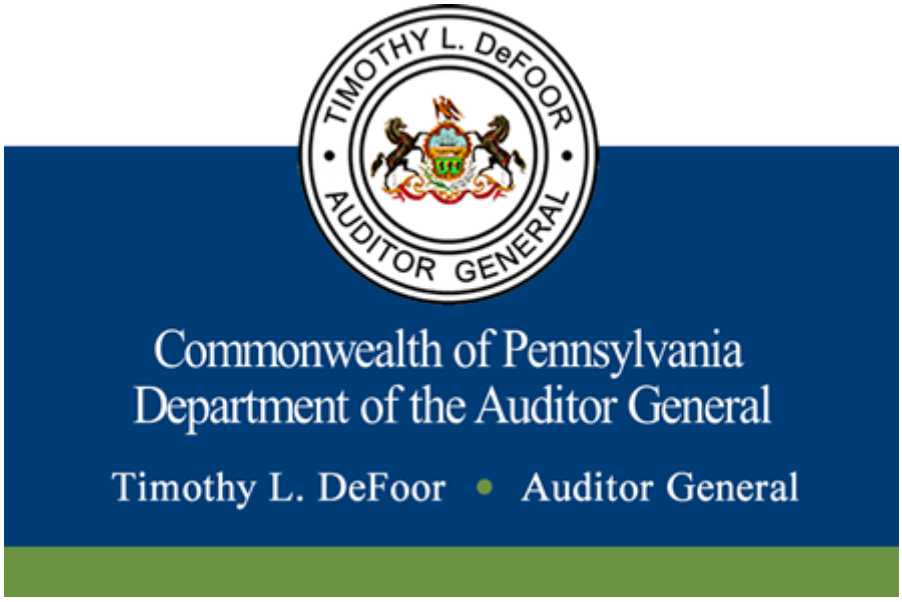
COMPLIANCE AUDIT

Lower Heidelberg Township Non-Uniformed Pension Plan

Berks County, Pennsylvania

September 2026



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TIMOTHY L. DEFOOR
AUDITOR GENERAL

Board of Township Supervisors
Lower Heidelberg Township
Berks County
Sinking Spring, PA 19608

We have conducted a compliance audit of the Lower Heidelberg Township 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 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 whether 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 area 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:

- For the period January 1, 2025 to December 31, 2025, we determined whether state aid was properly determined and deposited in accordance with Act 205 requirements by verifying the deposit date of state aid and determining whether deposits were made within 30 days of receipt.

- For the period January 1, 2024 to December 31, 2025, 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, 2020 to December 31, 2025, are presented on the Summary of Deposited State Aid and Employer Contributions.

- For the period January 1, 2025 to December 31, 2025, and through the completion of our fieldwork procedures, we determined that there were no employee contributions required by the plan's governing document and applicable laws and regulations.

- For the period January 1, 2024 to December 31, 2025, and through the completion of our fieldwork procedures, we determined whether retirement benefits calculated for plan members who retired or 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 individuals and comparing these amounts to supporting documentation evidencing amounts determined and actually paid to the recipients.

- We determined whether the January 1, 2025 actuarial valuation report was prepared and submitted by March 31, 2026 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.

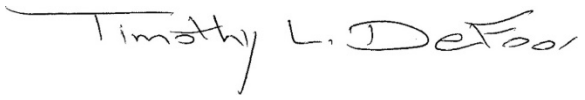
Township officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Lower Heidelberg Township Non-Uniformed Pension Plan is administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and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

The results of our procedures indicated that, in all significant respects, the Lower Heidelberg Township 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 – Improper Vesting Distribution

Finding No. 2 – Failure To Properly Fund Members' Accounts

The contents of this report were discussed with officials of Lower Heidelberg Township and, where appropriate, their responses have been included in the report. We would like to thank township officials for the cooperation extended to us during the conduct of the audit.



Timothy L. DeFoor
Auditor General
September 22, 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 Lower Heidelberg Township 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.

The Lower Heidelberg Township Non-Uniformed Pension Plan is a single-employer defined contribution pension plan locally controlled by the provisions of a resolution effective January 1, 1986, as amended, and a separately executed plan agreement with the plan's custodian effective January 1, 2003. The plan is also affected by the provisions of collective bargaining agreements between the township and its non-uniformed employees. The plan was established January 1, 1986. Active members are not required to contribute to the plan. The municipality is required to contribute ten percent of each member's annual compensation. As of December 31, 2025, the plan had nine active members and one terminated member eligible for vested benefits in the future.

LOWER HEIDELBERG TOWNSHIP NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Improper Vesting Distribution

Condition: An employee terminated in 2021 with one year of credited service (20% vested); however, the employee improperly received a distribution of 100 percent of his account balance in 2025, resulting in a $5,544 overpayment. This overpayment distribution to the employee was recovered by the township on July 28, 2026, but had not been timely transferred to the plan forfeiture account.

Criteria: The plan's separately executed adoption agreement at Section U, states:

> A Member's Account resulting from our Contributions is subject to the vesting schedule below.

VESTING SERVICE	VESTED PERCENTAGE
Less than 1	0%
1	20%
2	40%
3	60%
4	80%
5	100%

Therefore, pursuant to the above schedule, the terminated employee was only entitled to a distribution in the amount of 20 percent of his account balance.

In addition, the adoption agreement at Section O. number 4. states, in part:

> Forfeitures shall be used to offset our first Contribution made after the Forfeiture is determined…

Cause: Township officials failed to establish adequate internal control procedures to ensure the plan's custodian remitted the correct payment to the terminated employee.

Effect: The terminated employee received an overpayment of $5,544. In addition, the overpayment was not timely available to reduce municipal contributions to the plan pursuant to the provisions contained in the plan's governing document.

Recommendation: We recommend that the township utilize the $5,544 as a plan forfeiture pursuant to the provisions contained in the plan's governing document. Therefore, $5,544 must be used to offset future municipal contributions before any application of future state aid allocations.

Finding No. 1 – (Continued)

We also recommend that municipal officials monitor future distributions made from the pension plan to ensure they are in accordance with the provisions contained in the 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. 2 – Failure To Properly Fund Members' Accounts

Condition: The township did not fully fund the accounts of one member in 2024 and one member in 2025, in the amounts of $510 and $297, respectively, as illustrated below:

Year	Required Contributions	Actual Contributions	Contributions Due
2024	$ 510	$ 0	$ 510
2025	9,385	9,088	297

Criteria: The plan's governing document, a resolution effective January 1, 1986, as amended, and a separately executed plan agreement with the plan's custodian, established the municipal contribution rate at ten percent of each member's annual compensation.

Cause: Plan officials failed to establish adequate internal control procedures to ensure that eligible plan members' accounts were properly funded in accordance with the provisions contained in the plan's governing documents.

Effect: The failure to properly fund the members' accounts could result in plan members being denied benefits to which they are entitled in accordance with the plan's governing document.

Recommendation: We recommended the township deposit the contributions due to the members' accounts for the years 2024 and 2025.

We also recommend that, in the future, township officials properly fund the accounts of eligible plan members.

Finding No. 2 – (Continued)

We also recommend that plan officials implement adequate internal control procedures to ensure that the members' accounts are properly funded in accordance with the provisions contained in the plan's governing document.

Management's Response: Municipal officials agreed with the finding without exception. The township deposited $510 due for 2024 on July 7, 2026, and $297 due for 2025 on August 7, 2026.

Auditor's Conclusion: The township has complied with the recommendation regarding the contributions due. Compliance with the full recommendation will be evaluated during our next audit of the plan.

LOWER HEIDELBERG TOWNSHIP NON-UNIFORMED PENSION PLAN
SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS
(UNAUDITED)

Year Ended December 31	State Aid	Employer Contributions
2020	None	$ 44,399
2021	None	42,526
2022	None	36,101
2023	None	66,427
2024	None	52,813
2025	None	65,387

Note: In 2024, the township met the plan's $53,323 funding requirement through the deposit of $52,813 in employer contributions and the allocation of $510 in terminated employee forfeitures.

LOWER HEIDELBERG TOWNSHIP NON-UNIFORMED PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Mr. Paul Prutzman
Chairman, Board of Township Supervisors

Mr. Brian Cole
Township Manager

Ms. Jennifer Frasso
Secretary/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.