

# LIMITED PROCEDURES ENGAGEMENT

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## Yardley Borough Non-Uniformed Pension Plan Bucks County, Pennsylvania For the Period January 1, 2012 to December 31, 2015

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October 2016



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

The Honorable Mayor and Borough Council  
Yardley Borough  
Bucks County  
Yardley, PA 19067

We conducted a Limited Procedures Engagement (LPE) of the Yardley Borough Non-Uniformed Pension Plan for the period January 1, 2012 to December 31, 2015 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 findings 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, 2015, 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, 2015, are presented on the Summary of Deposited State Aid and Employer Contributions.
- Whether the January 1, 2011, January 1, 2013, and January 1, 2015 actuarial valuation reports were prepared and submitted to the Public Employee Retirement Commission (PERC) by March 31, 2012, 2014, and 2016, 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 Yardley 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 contents of this letter were discussed with officials of Yardley Borough and, where appropriate, their responses have been included in this letter.

October 19, 2016



EUGENE A. DEPASQUALE  
Auditor General

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YARDLEY BOROUGH NON-UNIFORMED PENSION PLAN  
STATUS OF PRIOR FINDINGS

Compliance With Prior Audit Recommendations

Yardley Borough has complied with the prior audit recommendations concerning the following:

· Allocation Of State Aid In Excess Of Entitlement

Municipal officials allocated \$168 of its 2010 state aid allocation, plus interest, from the non-uniformed pension plan to the borough's defined benefit police pension plan.

· Failure To Deposit The Full Amount Of State Aid Into An Eligible Pension Plan

Municipal officials deposited \$141 of its 2011 state aid allocation, plus interest, into the non-uniformed pension plan to satisfy the 2011 funding deficiency. In addition, municipal officials deposited the remaining 2011 state aid allocation of \$5,107, plus interest, into the borough's defined benefit police pension plan.

YARDLEY BOROUGH NON-UNIFORMED PENSION PLAN  
SUPPLEMENTARY INFORMATION

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 YEAR ENDED DECEMBER 31, 2014

Total Pension Liability	
Service cost	\$ 8,063
Interest	1,637
Net Change in Total Pension Liability	<u>9,700</u>
Total Pension Liability - Beginning	26,754
Total Pension Liability - Ending (a)	<u><u>\$ 36,454</u></u>
Plan Fiduciary Net Position	
Contributions – employer *	\$ 8,103
Net investment income	1,536
Administrative expense	(107)
Net Change in Plan Fiduciary Net Position	<u>9,532</u>
Plan Fiduciary Net Position - Beginning	29,473
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 39,005</u></u>
Net Pension Liability - Ending (a-b)	<u><u>\$ (2,551)</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	107.0%
Estimated Covered Employee Payroll	\$ 134,389
Net Pension Liability as a Percentage of Covered Employee Payroll	(1.90%)

\* Employer contributions include \$40 of administrative expenses.

YARDLEY BOROUGH NON-UNIFORMED PENSION PLAN  
SUPPLEMENTARY INFORMATION

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, calculated using the discount rate of 5.5%, 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 (4.5%)</u>	<u>Current Discount Rate (5.5%)</u>	<u>1% Increase (6.5%)</u>
Net Pension Liability	\$ 4,740	\$ (2,551)	\$ (9,842)

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

Year Ended December 31	State Aid	Employer Contributions
2010	\$ 2,563	None
2011	2,795	None
2012	None	4,603
2013	7,356	397
2014	4,559	3,504
2015	3,863	4,672

YARDLEY BOROUGH NON-UNIFORMED PENSION PLAN  
DISTRIBUTION LIST

This letter was initially distributed to the following:

**The Honorable Tom W. Wolf**  
Governor  
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Council President

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Borough Manager

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