



***Certified
Public
Accountants***

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March 3, 2017

To the Commissioners of the
Central Berks Regional Police Commission

We have audited the financial statements of the business-type activities of the Central Berks Regional Police Commission for the years ended December 31, 2016 and 2015, and have issued our report thereon dated March 3, 2017. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated December 8, 2016, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the cash basis of accounting. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Central Berks Regional Police Commission are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by the Central Berks Regional Police Commission during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. No sensitive estimates affecting the financial statements were identified.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. No sensitive disclosures affecting the financial statements were identified.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. No material misstatement was detected as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 3, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Central Berks Regional Police Commission's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Central Berks Regional Police Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Members of the Central Berks Regional Police Commission and management of the Central Berks Regional Police Commission and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



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To the Board of Commissioners of
Central Berks Regional Police Commission

In planning and performing our audit of the financial statements of the proprietary fund information of Central Berks Regional Police Commission as of and for the years ended December 31, 2016 and 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of Central Berks Regional Police Commission's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in Central Berks Regional Police Commission's internal control to be significant deficiencies:

A properly designed system of internal control, as contemplated by generally accepted auditing standards, should include segregation of accounting duties between several members of management and internal control procedures over the selection and application of accounting principles and the preparation of financial statements in accordance with accounting standards. The Central Berks Regional Police Commission, like most entities of a similar size, does not have the staff to provide a meaningful segregation of duties or to provide the level of expertise needed to monitor compliance with generally accepted accounting principles. This lack of capabilities within the Commission is considered a control deficiency as defined by current auditing standards.

In addition, we noted other matters involving internal control and its operation that we have reported to management of Central Berks Regional Police Commission in a separate letter dated March 3, 2017.

This communication is intended solely for the information and use of management, the Board of Commissioners, and others within Central Berks Regional Police Commission, and is not intended to be and should not be used by anyone other than these specified parties.



Long, Barrell & Co., Ltd.
Certified Public Accountants
Reading, PA 19606

March 3, 2017



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March 3, 2017

Board of Commissioners
Central Berks Regional Police Commission
Reading, PA

We have performed an audit of Central Berks Regional Police Commission for the period January 1, 2016 to December 31, 2016 and have issued our report thereon dated March 3, 2017. In planning and performing our audit we considered the Commission's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

During our audit, we noted certain matters involving the internal control structure, and other operational matters for which we have prepared the following comments. These comments, all of which have been discussed with the appropriate members of management, are intended to improve the internal control structure or result in operating efficiencies.

Payroll Related Items

The audit procedures performed on the Commission payroll expense yielded a few matters that warrant follow up attention, as noted below.

First, we noted that the Jet Pay prepared form W-2's did not properly indicate that the police officers are covered by a pension plan and did not report the amounts contributed by the officers' to the plan for towards retirement. This information is important as it relates to individual income tax preparation and so the payroll service should be notified to correct this issue on a forward going basis.

Second, we noted that the Commission pays a \$1,500 benefit to USAA, the intent of which is to provide some retirement benefits for the Police Commission secretary who is not covered by the Police pension plan. We understand, however, that the Commission does not sponsor the plan and therefore the contribution, despite the check being made payable directly to USAA, is deemed to be taxable compensation to the Secretary. This payment is considered a taxable fringe benefit and needs to be reported to the payroll service so that it can be properly included in the computation of payroll, payroll related taxes, and the preparation of an accurate W-2.

Finally, we understand that the uniform allowance paid to the officers in a lump sum amount is not properly accounted for in terms of tax treatment for this fringe benefit. In order for the amount paid to be exempt from wages and related payroll taxes, the officers would need to provide receipts showing that the full amount paid in the lump sum was used to maintain the cleaning and cost of their uniforms. Absent documentation that accounts for the entire amount of the lump sum distribution being used for the intended purpose, the portion not substantiated by receipts is considered a taxable fringe benefit and would need to be reported to the payroll service at year end for inclusion in the payroll and payroll tax computations.

We recommend the Commission work with the payroll service provider to rectify the W-2 reporting of the retirement benefits and the retirement fringe benefit for the Secretary. We further recommend the Commission either properly account for the amounts paid in the lump sum uniform benefit by requiring adequate contemporaneous documentation to support the amounts spent on the allowance, or report the amounts paid as additional compensation to the payroll service.

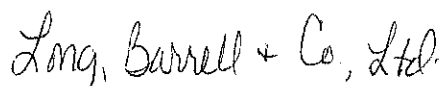
Governmental Accounting for Pension Plans

In recent times, the Governmental Accounting Standards Board (GASB) has issued revisions to its guidance related to financial statement reporting of post-retirement benefits. While the reporting of the information is quite complex and technical, we note that the Commission does not currently present, within its cash basis financial statements, the required statements prescribed by GASB for the police pension. In 2016, the opinion on the overall financial statements was modified to include "except for" qualified opinion verbiage due to the information not being present. The addition of the related financial statements will increase the costs involved in the preparation and audit of the financial statements. Therefore, the Commission should consider whether the increased cost to include the separate financial statements of the pension fund will provide a related significant benefit to the Commission. We estimate the fee will increase by \$1,500 for the inclusion of the Statements of Fiduciary Net Position – Cash Basis and the Related Statements of Changes in Fiduciary Net Position – Cash Basis, along with the Required Supplementary Information - the Statements of Funding Progress.

Should the Commission not wish to include the required financial statements on a forward going basis; the opinion will continue to be modified for the exclusion of the same.

This report is intended solely for the information and use of the Board of Commissioners, management, and others within Central Berks Regional Police Commission.

Sincerely,



Long, Barrell & Co., Ltd.
Certified Public Accountants
Reading, PA

Central Berks
Regional Police Commission
FINANCIAL STATEMENTS
TOGETHER WITH
AUDITOR'S REPORT
December 31, 2016 and 2015

Central Berks Regional Police Commission
FINANCIAL STATEMENTS TOGETHER WITH AUDITOR'S REPORT
December 31, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

To the Commissioners of the
Central Berks Regional Police Commission

Report on Financial Statements

We have audited the accompanying Statements of Net Position – Cash Basis, Statements of Revenues and Expenses – Cash Basis, and Statements of Changes in Net Position – Cash Basis of the Central Berks Regional Police Commission as of and for the years ended December 31, 2016 and 2015 and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amount and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant account estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

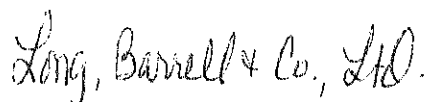
Management has not included the Statements of Fiduciary Net Position of the Central Berks Regional Police Commission pension plan. Accounting principles applicable to the Commission's cash basis of accounting require the Central Berks Regional Police Commission to present this information within its financial statements. The amount by which this departure would affect the fiduciary fund has not been determined.

Qualified Opinion

In our opinion, with the exception of the matter described in the basis for Qualified Opinion paragraph above, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net position-cash basis of the Central Berks Regional Police Commission as of December 31, 2016 and 2015, and its revenues, expenses, and changes in net position-cash basis for the years then ended, on the basis of accounting described in Note 1.

Other Matters

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.



Long, Barrell & Co., Ltd.
Certified Public Accountants
Reading, PA

March 3, 2017

Central Berks Regional Police Commission
STATEMENTS OF NET POSITION - CASH BASIS
As of December 31,

	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Cash	\$ 357,850	\$ 323,646
Cash - restricted	21,749	18,293
Total Assets	<u>\$ 357,850</u>	<u>\$ 341,939</u>
 <u>Liabilities</u>		
Intergovernmental payable	\$ 250	\$ 675
Total Liabilities	<u>\$ 250</u>	<u>\$ 675</u>
 <u>Net Postion</u>		
Net Position, Unrestricted	\$ 335,851	\$ 323,071
Net Position, Restricted	21,749	18,193
Total Net Position	<u>\$ 357,600</u>	<u>\$ 341,264</u>
 Total Liabilities and Net Position	<u>\$ 357,850</u>	<u>\$ 341,939</u>

The accompanying notes are an integral part of these financial statements.

Central Berks Regional Police Commission
STATEMENTS OF REVENUES AND EXPENSES - CASH BASIS
For the Years Ended December 31,

	<u>2016</u>	<u>2015</u>
Revenues:		
Payments from municipalities	\$ 1,926,451	\$ 1,838,964
Grant income and other reimbursements	17,715	19,785
Retirement fund contributions	128,028	101,942
Private police protection	9,194	8,460
Police reports	3,825	2,490
Contributions	866	10,990
Interest income	1,229	778
Sale of assets	2,650	-
Refunds of prior year expenditures	67,717	110,944
Insurance proceeds from vehicles	-	9,680
Total Revenues	<u>\$ 2,157,675</u>	<u>\$ 2,104,033</u>
Expenses:		
Salaries	\$ 1,258,883	\$ 1,152,681
Payroll taxes	23,571	21,772
Retirement fund contribution	196,778	153,518
Hospitalization insurance	322,430	327,864
Disability insurance	4,718	4,783
Workmens compensation insurance	74,992	63,953
Liability and auto insurance	58,162	57,656
Repairs and maintenance - vehicles	5,380	11,928
Repairs and maintenance - building	11,681	22,190
Repairs and maintenance - equipment	18,766	17,094
Gas and oil for vehicles	12,988	15,361
Uniform allowance	20,819	20,516
Professional fees	15,265	17,410
Office and administration expenses	7,359	6,874
Advertising and printing	557	241
Training expense	1,290	1,317
Radio communication	11,668	57,739
Speedometer and Vascar certifications	918	1,331
Telephone expense	5,250	5,423
Utilities	9,095	9,636
Film processing	14	27
Membership dues	3,780	3,885
Ammunition	3,546	10,162
Materials and supplies	13,594	9,169
Radio equipment principal	14,285	14,285
Office equipment	1,078	6,755
Vehicle purchase	-	37,464
Vehicle capital lease - principal	15,735	22,224
Vehicle capital lease - interest	1,988	3,181
Claims and settlements	5,000	-
Total Expenses	<u>\$ 2,119,590</u>	<u>\$ 2,076,439</u>
Excess (Deficiency) of Revenues Over Expenses	<u>\$ 38,085</u>	<u>\$ 27,594</u>

The accompanying notes are an integral part of these financial statements.

Central Berks Regional Police Commission
STATEMENTS OF CHANGES IN NET POSITION - CASH BASIS
For the Years Ended December 31,

	<u>2016</u>	<u>2015</u>
Net Position, January 1,	\$ 341,264	\$ 313,670
Excess (Deficiency) of Revenues Over Expenses	38,085	27,594
Net Position, December 31	<u>\$ 379,349</u>	<u>\$ 341,264</u>

The accompanying notes are an integral part of these financial statements.

Central Berks Regional Police Commission
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

Note 1 – Summary of Significant Accounting Policies

Entity:

The Police Commission provides police protection for Lower Alsace Township and the Boroughs of Mount Penn and St. Lawrence. The Borough of Mount Penn and Lower Alsace Township is represented with two commissioners and one alternate commissioner who serve on the commission governing board. The Borough of St. Lawrence is contracted with the Police Commission to provide police protection and does not have representation on the commission governing board.

Basis of Accounting:

The Police Commission prepares its financial statements in accordance with the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of only cash and cash equivalents and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) reporting in the period in which they occurred.

This cash basis of accounting differs from GAAP primarily because revenues (cash receipts) are recognized when received in cash rather than when earned and susceptible to accrual, and expenditures or expenses (cash disbursements) are recognized when paid rather than when incurred or subject to accrual. As a result, only cash and cash equivalents and related net position arising from cash transactions are reported in the statements of net position. All other economic assets, deferred outflows of resources, liabilities, and deferred inflows of resources that would be reported in GAAP basis financial statements are not reported in this cash basis presentation.

Measurement Focus:

The proprietary fund utilizes an economic resources measurement focus within the limitations of the cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, net financial position, and cash flows. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the cash basis of accounting.

Special Purpose Government:

The Police Commission is supported primarily by monthly payments from the three municipalities it represents. The Governmental Accounting Standards Boards does not allow for an entity to be a component unit of more than one entity. Therefore, the Commission is not a component unit of any of the participating municipalities, but instead is considered a special purpose form of government. Separately issued financial statements of the municipalities are available at each respective municipal office during normal business hours.

Note 1 – Summary of Significant Accounting Policies (continued)

The following represents the total payments from each municipality for the year ended December 31, 2016 and 2015:

Municipality	2016	2015
Borough of Mount Penn	\$ 825,634	\$ 787,182
Lower Alsace Township	825,634	787,182
Borough of St Lawrence	275,184	264,600
Total	<u>\$1,926,451</u>	<u>\$1,838,964</u>

Budget:

An operating budget is adopted through resolution each year.

Net Position:

Net Position is classified in two separate categories. The categories, and their general meanings are as follows:

Restricted net position – indicates that portion of net position, which has been legally segregated for specific purposes.

Unrestricted net position – indicates that portion of net position, which is available for appropriation and expenditure in future periods.

Fixed Assets:

Fixed assets with a total cost of \$2,553 and \$41,219 were purchased in 2016 and 2015, respectively. One vehicle was sold in 2016 for a total amount of \$2,000. Insurance proceeds of \$9,680 in 2015 were received for vehicles that were damaged in 2014. Fixed assets are summarized by major classifications as follows:

Description	Balance at 12/31/15	Additions	Deductions	Balance at 12/31/16
Vehicles	\$275,260	\$-	\$27,723	\$247,537
Firearms	28,436	-	650	27,786
Radio Equipment	159,772	-	-	159,772
Other Equipment	203,494	1,025	-	204,519
Headquarters	99,574	1,528	-	101,102
Total	<u>\$766,536</u>	<u>\$2,553</u>	<u>\$28,373</u>	<u>\$740,716</u>

Intergovernmental Payable

Receivables and payables to other funds or governments arising from cash transactions or events are recorded in the financial statements as a modification to the cash basis of accounting. At December 31, 2016 and 2015 the amount shown as intergovernmental payable is \$250 and \$675, respectively, and represents parking ticket revenue collected by the Police Commission and due to the participating municipalities.

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in accordance with the cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

Note 2 – Stewardship, Compliance and Accountability

By its nature as a local government unit, the Commission is subject to various federal, state and local laws and contractual agreements. No instances of noncompliance were indicated with respect to these financial statements.

Note 3 – Cash

Cash as of December 31, 2016 and 2015 is classified in the accompanying financial statements as follows:

	<u>2016</u>	<u>2015</u>
Statement of net position:		
Cash	<u>\$379,599</u>	<u>\$341,939</u>

Cash as of December 31, 2016 and 2015 consists of the following:

	<u>2016</u>	<u>2015</u>
Cash and Money Market Accounts	<u>\$379,599</u>	<u>\$341,939</u>

The amount reported as restricted cash is comprised of cash funds held by the Commission for the payment of future compensation, for funds received, but unspent for DARE and other grant funding, and for funds held specifically for the annual National Night Out event.

For the purpose of financial reporting, cash and cash equivalents includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater is the interest rate risk.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Note 3 – Cash (continued)

Concentration of Credit Risk

The investment policy of the Commission contains no limitations on the amount that can be invested in any issuer.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Pennsylvania Government Code and the Commission's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: Pennsylvania Act 72 requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

At December 31, 2016, \$227,220 of the Commission's deposits were covered with its financial institutions pledged collateral.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The Pennsylvania Government Code and the Commission's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Investments Authorized by the Entity's Investment Policy

The Commission's investment policy does not contain any specific provisions intended to limit the Commission's exposure to **interest rate risk, credit risk, and concentration of credit risk.**

With the exception of Pension Trust Funds, state law allows the government to invest in obligations of the United States of America, the Commonwealth of Pennsylvania, or any agency or instrumentality of either, which are secured by the full faith and credit of such entity. The law also allows for the Government to invest in certificates of deposit of bank, savings and loans, and savings banks both within and outside the Commonwealth of Pennsylvania, provided such amounts are insured by the Federal Deposit Insurance Corporation (FDIC) or other like insurance, and that deposits in excess of such insurance are collateralized by the depository. The state also imposes limitations with respect to the amount of investment in certificates of deposit to the extent that such deposits may not exceed 20% of a bank's total capital surplus or 20% of a savings and loan's or savings bank's assets, net of its liabilities. The government may also invest in shares of registered investment companies, provided that investments are authorized investments, as noted above.

Note 4 – Employees' Pension Plan

The Police Commission sponsors a single employer defined benefit pension plan, the Police Pension Plan. All full time police employees participate in the plan. Following are details of this plan.

- a. Description of Police Pension Plan – The pension plan is a single-employer defined benefit pension plan controlled by the provisions of Ordinance No. 14-2001 adopted pursuant to Act 15 of 1974. The plan covers substantially all full-time employees providing retirement, disability, and death benefits to plan members and their beneficiaries. Cost-of-living allowances are provided at the discretion of the plan. Plan provisions are established by municipal ordinance with the authority for municipal contributions required by Act 205 of the Commonwealth (the Act).

Membership of the plan consisted of the following at December 31, 2015 (the most recent available information):

Participants:	
Retirees and beneficiaries	6
Deferred vested	0
Active employees	13

- b. Summary of Significant Accounting Policies – The plan financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due, in accordance with the Act, as amended. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. At December 31, 2016, the plan assets are invested with the investment firm of Charles Schwab. At December 31, 2015, the plan assets were invested with Morgan Stanley.
- c. Contributions and Funding Policy – The Act requires that annual contributions be based upon the calculation of the Minimum Municipal Obligation (MMO). The MMO calculation is based upon the biennial actuarial valuation. In accordance with the plan's governing ordinances, members are required to contribute 5.0% of compensation to the Police Pension Plan. The plan may be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program which must be used for pension funding. Any financial requirement established by the MMO in excess of state aid must be funded by the Police Commission in accordance with the Act.

The Police Commission contributed the funds necessary to meet the 2016 and 2015 MMO obligations in the amounts of \$175,943 and \$152,268, respectively, for the Police Pension Plan. In 2016, \$122,490 was received from Lower Alsace Township and Mt. Penn Borough's Commonwealth of Pennsylvania pension funding.

Administrative costs, including investment manager, custodial trustee, and actuarial services are charged to the appropriate plan and funded from investment earnings.

Note 4 – Employees' Pension Plan

The Police Commission's annual pension cost and related information for the plan as of the latest actuarial report (1/1/15) is as follows:

Annual pension cost	\$ 152,268
Contributions made	\$ 152,268
Actuarial valuation date	1/1/15
Actuarial cost method	Entry Age - Normal
Amortization method	N/A
Asset valuation method	Fair Value
Amortization period	N/A
Actuarial assumptions:	
Increased rate of return	8.0%
Projected salary increases	5.0%

The Commission has a net pension obligation (NPO) as of December 31, 2015, calculated as follows:

	<u>Police</u>
Annual required contribution	\$ 152,268
Interest on NPO	---
Adjustment to the ARC	---
Annual pension cost	\$ 152,268
Contributions made	<u>152,268</u>
Change in NPO	---
NPO, 12/31/14	\$ ---
NPO, 12/31/15	<u>\$ ---</u>

At January 1, 2015, the actuarial accrued liability of the Police Pension Plan exceeds the actuarial value of assets by \$480,417.

d. Trend Information (Police)

Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation (Asset)
12/31/15	\$152,268	100%	\$ ---
12/31/14	\$141,736	100%	\$ ---
12/31/13	\$140,993	100%	\$ ---
12/31/12	\$124,979	100%	\$ ---
12/31/11	\$163,507	100%	\$ ---
12/31/10	\$ 71,167	100%	\$ ---
12/31/09	\$ 47,538	100%	\$ ---
12/31/08	\$ 46,566	100%	\$ ---
12/31/07	\$ 61,473	100%	\$ ---
12/31/06	\$ 48,659	100%	\$ ---
12/31/05	\$ 53,395	100%	\$ ---

Note 4 – Employees' Pension Plan (continued)

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	AAL (UAAL) as a % of covered payroll ((b-a)/c)
1/1/01	\$ 2,384,307	\$ 1,867,989	\$ (516,318)	127.6%	\$ 511,691	(100.9%)
1/1/03	\$ 2,515,301	\$ 2,100,035	\$ (415,266)	119.8%	\$ 633,627	(65.5%)
1/1/05	\$ 2,795,595	\$ 2,418,386	\$ (377,209)	115.6%	\$ 622,260	(60.6%)
1/1/07	\$ 3,363,201	\$ 2,821,379	\$ (541,822)	119.2%	\$ 742,128	(73.0%)
1/1/09	\$ 3,083,341	\$ 3,273,029	\$ 189,688	94.2%	\$ 797,116	23.8%
1/1/11	\$3,380,483	\$3,859,981	\$479,498	87.6%	\$1,019,347	47.0%
1/1/13	\$3,972,861	\$4,495,827	\$522,966	88.4%	\$ 983,825	53.2%
1/1/15	\$4,553,707	\$5,034,124	\$480,417	90.5%	\$1,087,559	44.2%

Note 5 – Refunds of Prior Year Expenditures

At various times throughout the year, the Commission receives refunds from its pooled health insurance carrier and for other insurance related matters, as well as from the participating municipalities for reimbursable items which were not included in the original Commission budget. When such refunds or reimbursements are received in a period subsequent to when the expenditure was incurred, the amounts are recorded in a revenue account so as not to distort current operating costs.

Note 6 – Leases

As of December 31, 2016, the Commission is liable for the purchase of two vehicles on a lease-purchase plan. The balance of the leases payable at December 31, 2016 is \$39,919. Interest expense at varying rates are to be paid on the leases payable. Interest expense of \$1,988 and \$3,181 was paid in 2016 and 2015, respectively. Maturities of the leases payable for the next two years are:

	<u>Principal</u>	<u>Interest</u>
2017	\$14,759	\$1,114
2018	9,425	250
	<u>\$24,184</u>	<u>\$1,364</u>

The Commission also leases office equipment from Marlin Leasing Corporation. The amounts paid under the operating lease for 2016 and 2015 were \$1,466 and \$1,344, respectively.

Note 7 – Radio Equipment Loan

As of December 31, 2015, the Commission is liable for the purchase of radio equipment totaling \$99,998 from the County of Berks. The balance of the loan payable at December 31, 2016 is \$42,855. The loan payable is collateralized by the radio equipment. The loan is payable over seven years with no interest charged.

Maturities of the loan payable over the next three years are:

	<u>Principal</u>	<u>Interest</u>
2017	14,285	---
2018	14,285	---
2019	<u>14,288</u>	---
	<u>\$42,855</u>	\$ ---

Note 8 – Risk Management

The Police Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Commission. Settled claims have not exceed insurance coverage in any of the past three fiscal years. During 2016, the Commission settled a claim out-of-court for a total cost of \$40,000 of which all but \$5,000 was covered by the Commission's insurance.

Note 9 - Commitments and Contingencies

Grant Program Involvement

The Police Commission participates in state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Commission is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs.

Various grants are received periodically by the Commission. The amounts received are not significant enough to warrant separate disclosure.

Note 10 – Subsequent Events

The Police Commission has evaluated subsequent events through March 3, 2017, the date on which the financial statements were available to be issued.