

Central Berks
Regional Police Commission
FINANCIAL STATEMENTS
TOGETHER WITH
AUDITOR'S REPORT
December 31, 2017 and 2016

Central Berks Regional Police Commission
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December 31, 2017 and 2016

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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, 2017 and 2016 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.

Long, Barrell & Co., Ltd.

Basis for Qualified Opinion

Management has not included the Statements of Fiduciary Net Position, certain required supplementary information and certain accompanying note disclosures 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, 2017 and 2016, 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 2, 2018

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

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Cash	\$ 406,536	\$ 357,850
Cash - restricted	28,387	21,749
Total Assets	<u>\$ 434,923</u>	<u>\$ 379,599</u>
 <u>Liabilities</u>		
Employee taxes and benefits payable	\$ 8,514	\$ -
Intergovernmental payable	1,275	250
Total Liabilities	<u>\$ 9,789</u>	<u>\$ 250</u>
 <u>Net Postion</u>		
Net Position, Unrestricted	\$ 396,747	\$ 357,600
Net Position, Restricted	28,387	21,749
Total Net Position	<u>\$ 425,134</u>	<u>\$ 379,349</u>
 Total Liabilities and Net Position	<u>\$ 434,923</u>	<u>\$ 379,599</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>2017</u>	<u>2016</u>
Revenues:		
Payments from municipalities	\$ 2,060,105	\$ 1,926,451
Grant income and other reimbursements	19,270	17,715
Retirement fund contributions	128,471	128,028
Private police protection	10,898	9,194
Police reports	3,430	3,825
Code enforcement	14,547	-
Contributions	4,943	866
Interest income	2,406	1,229
Sale of assets	1,180	2,650
Refunds of prior year expenditures	117,098	67,717
Total Revenues	<u>\$ 2,362,348</u>	<u>\$ 2,157,675</u>
Expenses:		
Salaries	\$ 1,374,942	\$ 1,258,883
Payroll taxes	31,860	23,571
Retirement fund contribution	189,836	196,778
Hospitalization insurance	367,413	322,430
Disability insurance	4,747	4,718
Workmens compensation insurance	83,263	74,992
Liability and auto insurance	67,947	58,162
Repairs and maintenance - vehicles	10,285	5,380
Repairs and maintenance - building	13,046	11,681
Repairs and maintenance - equipment	19,484	18,766
Gas and oil for vehicles	16,670	12,988
Uniform allowance	19,349	20,819
Professional fees	14,700	15,265
Office and administration expenses	6,382	7,359
Advertising and printing	1,031	557
Training expense	1,060	1,290
Radio communication	12,219	11,668
Speedometer and Vascar certifications	1,158	918
Telephone expense	5,908	5,250
Utilities	9,332	9,095
Film processing	-	14
Membership dues	3,940	3,780
Ammunition	1,458	3,546
Materials and supplies	6,718	10,583
Radio equipment principal	14,285	14,285
Office equipment	-	1,078
Vehicle capital lease - principal	27,959	15,735
Vehicle capital lease - interest	1,655	1,988
Code enforcement	9,916	3,011
Claims and settlements	-	5,000
Total Expenses	<u>\$ 2,316,563</u>	<u>\$ 2,119,590</u>
Excess (Deficiency) of Revenues Over Expenses	<u>\$ 45,785</u>	<u>\$ 38,085</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>2017</u>	<u>2016</u>
Net Position, January 1,	\$ 379,349	\$ 341,264
Excess (Deficiency) of Revenues Over Expenses	<u>45,785</u>	<u>38,085</u>
Net Position, December 31	<u>\$ 425,134</u>	<u>\$ 379,349</u>

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

Central Berks Regional Police Commission
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

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. Beginning in 2017, the Commission is also contracted to provide oversight of the code enforcement process for the Borough of Mt. Penn and Lower Alsace Township.

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 Board 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, 2017 and 2016 for police services (2017 and 2016) and additionally for code enforcement services (2017):

<u>Municipality</u>	<u>2017</u>	<u>2016</u>
Borough of Mount Penn	\$ 894,231	\$ 825,634
Lower Alsace Township	894,231	825,634
Borough of St Lawrence	286,191	275,184
Total	<u>\$2,074,653</u>	<u>\$1,926,451</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 \$35,207 and \$2,553 were purchased in 2017 and 2016, respectively. One vehicle was sold in 2017 for a total amount of \$500 and one was sold in 2016 for a total amount of \$2,000. Fixed assets are summarized by major classifications as follows:

Description	Balance at 12/31/16	Additions	Deductions	Balance at 12/31/17
Vehicles	\$247,537	\$31,174	\$30,532	\$248,178
Firearms	27,786	-	550	27,236
Radio Equipment	159,772	-	-	159,772
Other Equipment	204,519	938	-	205,457
Headquarters	101,102	3,095	-	104,197
Total	<u>\$740,716</u>	<u>\$35,207</u>	<u>\$31,082</u>	<u>\$744,840</u>

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>

Note 1 – Summary of Significant Accounting Policies (continued)

Fixed Assets (continued):

The Commission reports on the cash basis of accounting and accordingly does not record the cost of fixed assets or the effects of depreciation on its financial statements.

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, 2017 and 2016 the amount shown as intergovernmental payable is \$1,275 and \$250, respectively, and represents parking and code enforcement ticket revenue collected by the Police Commission and due to the participating municipalities.

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 and Investments

Cash as of December 31, 2017 and 2016 is classified in the accompanying financial statements as follows:

	<u>2017</u>	<u>2016</u>
Statement of net position:		
Cash	<u>\$434,923</u>	<u>\$379,599</u>

Cash as of December 31, 2017 and 2016 consists of the following:

	<u>2017</u>	<u>2016</u>
Cash and Money Market Accounts	<u>\$434,923</u>	<u>\$379,599</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. At December 31, 2017 and 2016, respectively, the amounts shown on the financial statements were exclusively cash.

The Commission does not have a policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for which both unrestricted and restricted net position is available.

Note 3 – Cash and Investments (continued)

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.

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, 2017 and 2016, \$316,061 and \$227,220 of the Commission's deposits were covered with its financial institutions pledged collateral, respectively.

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.**

Note 3 – Cash and Investments (continued)

Investments Authorized by the Entity's Investment Policy (continued)

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 January 1, 2017 (the most recent available information):

Participants:	
Retirees and beneficiaries	7
Deferred vested	0
Active employees	14

- 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, 2017, the plan assets are invested with the investment firm of Charles Schwab.

Note 4 – Employees' Pension Plan (continued)

- 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 2017 and 2016 MMO obligations in the amounts of \$188,014 and \$175,943, respectively, for the Police Pension Plan. In 2017, the Commonwealth of Pennsylvania provided pension funding of \$128,471 directly to the Commission for submission to the plan. In 2016, \$122,490 was received from Lower Alsace Township and Mt. Penn Borough's Commonwealth of Pennsylvania pension funding for submission to the plan.

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

The Police Commission's annual pension cost and related information for the plan as of the latest actuarial report (1/1/17) is as follows:

Annual pension cost	\$ 186,693
Contributions made	\$ 258,349
Actuarial valuation date	1/1/17
Actuarial cost method	Entry Age - Normal
Amortization method	PMRS Asset Method
Asset valuation method	Normal Cost
Normal cost percentage	14.48%
Actuarial assumptions:	
Increased rate of return	7.5% (pre and post retirement)
Projected salary increases	4.75%
Administrative expenses	\$24,000

The Commission has a net pension obligation (NPO) as of January 1, 2017, calculated as follows:

At January 1, 2017, the actuarial accrued liability of the Police Pension Plan exceeds the actuarial value of assets by \$998,700.

As of the January 1, 2017 actuarial valuation, the rate of return on the market value of assets was 7.93%.

Note 4 – Employees' Pension Plan (continued)

The following table summarizes the plan asset holdings as of 1/1/17:

Description	Market Value	% of Total
Cash	\$282,317	6.69%
Mutual Funds	3,160,731	74.93%
ETF – Bond Funds	775,330	18.38%
Total Assets	\$4,218,378	100.00%

d. Trend Information (Police)

Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed
12/31/17	\$186,693	100%
12/31/16	\$175,943	100%
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%

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%
1/1/17	\$5,062,053	\$6,060,753	\$998,700	83.5%	\$1,243,619	80.3%

Note 4 – Employees' Pension Plan (continued)

e. Significant assumptions used in the January 1, 2017 valuation include the following:

- Employees were assumed to retire at the later of age 52 or the completion of 29 years of service
- Increases to the taxable wage base were not assumed
- The RP-2000 mortality tables (blue collar) with generational improvement using scale AA was utilized for pre and post – retirement mortality
- Post-disablement mortality with a ten-year set forward was assumed in the valuation
- Expenses of \$24,000 per annum were assumed
- 90% of males and females were assumed to be married
- The female spouse was assumed to be 3 years younger than the male spouse

f. A summary of the plan provisions is as follows:

Eligibility requirements: Date of hire

Normal retirement eligibility: pre 1/1/15: Age 50 and completion of 25 years of service; post 1/1/15: Age 55 and the completion of 25 years of service

Normal retirement benefit: 50% of final average salary (last 36 months), plus a service increment of \$100 per month of each completed year of service in excess of 25, subject to a \$500 maximum monthly increment

Early retirement benefit: Actuarially reduced pension after 20 years of service

Normal form of benefit:

Married Members: A pension payable for life. Upon the death of the member, the surviving spouse will receive a 50% lifetime continuance of the pension. If there is no spouse, the pension payable to the children under the age of 18 (age 23 if attending college).

Single Members: A pension payable for life

Death benefit: Pre-retirement: Refund of contributions with interest, if not vested.

Disability benefit:

Service Related: A monthly benefit equal to 50% of salary reduced by any social security disability benefits

Non-Service Related: None

Vesting: 100% after 12 years of service

Note 4 – Employees' Pension Plan (continued)

Post-Retirement Adjustments: 4% annual cost of living adjustment subject to Act 600 limits. However, no adjustment shall exceed the annual increase in the Consumer Price Index.

Member Contributions: 5% of salary. Interest credited at 5%, per annum

DROP: Eligibility at normal retirement, maximum period of 5 years

Note 5 – Other Post-Employment Benefits (OPEB)

The current police employment labor contract which covers the period January 1, 2016 – December 31, 2020 includes a post-employment health insurance benefit for any police officer who reaches his/her superannuation date and retires. The retiree has the privilege of remaining in the medical benefits programs defined by the current contract for full-time police officers, 100% paid by the Commission for the police officer only. If the police officer desires to continue coverage for his/her eligible dependents, each police officer is solely responsible to pay 100% of the cost of additional coverage for the police officer's dependents. Police officers who participate in the DROP program are eligible anytime their participation ends in the program.

Any police officer who reaches his/her superannuation date or is vested and retires in good standing and receives medical benefits, forfeits the benefits at age 65 if eligible for Medicare. Additionally, any police officer who reaches his/her superannuation date or is vested and retires in good standing and receives medical benefits forfeits the benefits upon obtaining other employment that provides medical insurance. These officers will still be enrolled in dental, eye, and prescription plans currently available.

The Commission has elected to fund these other post-employment benefits on a pay as you go basis. Consequently, there is no OPEB plan established to account for the resources required to fund such costs.

Note 6 – 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 7 – Leases

As of December 31, 2017, the Commission is liable for the purchase of one vehicle on a lease-purchase plan. At December 31, 2016, the Commission was liable for the purchase of two vehicles on lease purchase plans, both of which were paid off in 2017. The balance of the lease payable at December 31, 2017 is \$27,399 with interest at 5.7%. Interest expense of \$1,655 and \$1,988 was paid in 2017 and 2016, respectively. Maturities of the lease payable for the next four years is:

	<u>Principal</u>	<u>Interest</u>
2018	\$7,275	\$1,427
2019	7,705	998
2020	8,160	543
2021	4,259	93
	<u>\$27,399</u>	<u>\$3,061</u>

The Commission also leases office equipment from Marlin Leasing Corporation. The amounts paid under the operating lease for 2017 and 2016 were \$1,466 and \$1,466, respectively.

Note 8 – 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, 2017 is \$28,571. 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 two years are:

	<u>Principal</u>	<u>Interest</u>
2018	14,285	---
2019	<u>14,288</u>	---
	<u>\$28,571</u>	<u>\$ ---</u>

Note 9 – 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 10 - Commitments and Contingencies

Labor Agreement

The Commission is party to a labor contract agreement with its police officer employees covering the period January 1, 2016 – December 31, 2020. The agreement defines certain rights and obligations of management and employees, as well as establishes various compensation and benefits arrangements.

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. No significant funding was received in either 2017 or 2016.

Note 11 – Subsequent Events

The Police Commission has evaluated subsequent events through March 2, 2018, the date on which the financial statements were available to be issued.

Beginning on January 1, 2018, the Central Berks Regional Police Commission expanded operations to include police coverage of Oley Township, Berks County. An initial cost of \$626,797 for 2018 coverage was agreed upon, with an increase of 4% in 2019 and 2020, and a 3% increase in 2021 and 2022. Five additional police officers were hired as a result of the expansion.