



**TREDYFFRIN TOWNSHIP
POLICE PENSION PLAN
*CHESTER COUNTY, PENNSYLVANIA***

FINANCIAL STATEMENTS

DECEMBER 31, 2017

TREDYFFRIN TOWNSHIP POLICE PENSION PLAN

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1 - 3
FINANCIAL STATEMENTS	
Statement of Fiduciary Net Position	4
Statement of Changes in Fiduciary Net Position	5
Notes to Financial Statements	6 - 11
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in the Net Pension Liability, Investment Returns, and Related Ratios	12
Schedule of Township Contributions	13
Notes to Schedule of Township Contributions	13
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	14 - 15

INDEPENDENT AUDITOR'S REPORT

August 3, 2018

Board of Supervisors
Tredyffrin Township
Berwyn, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the Tredyffrin Township Police Pension Plan ("the Plan"), Berwyn, Pennsylvania, which comprise the statement of fiduciary net position as of December 31, 2017, and the related statement of changes in fiduciary net position for the year then ended, 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 accounting principles generally accepted in the United States of America; 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 an opinion 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts 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

Board of Supervisors
Tredyffrin Township

includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Tredyffrin Township Police Pension Plan, Berwyn, Pennsylvania, as of December 31, 2017, and the changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The financial statements present only the Police Pension Plan and do not purport to, and do not, present fairly the financial position of Tredyffrin Township, Berwyn, Pennsylvania, as of December 31, 2017, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of changes in net pension liability, investment returns, and related ratios, the schedule of Township contributions, and notes to schedule of Township contributions on pages 12 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2018, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other

Board of Supervisors
Tredyffrin Township

matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

**TREDYFFRIN TOWNSHIP POLICE PENSION PLAN
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2017**

ASSETS

Cash and cash equivalents	\$ 880,374
Investments at fair value:	
Fixed income funds	10,145,679
Stock mutual funds	10,991,706
International mutual funds	6,240,648
Common stock	3,489,982
Real estate investment funds	1,773,687
Emerging market funds	703,168
Contribution receivable	458,652
Accrued interest	<u>25,980</u>
 TOTAL ASSETS	 34,709,876

LIABILITIES AND NET POSITION

Liabilities	<u>8,198</u>
 NET POSITION RESTRICTED FOR PENSIONS	 <u><u>\$ 34,701,678</u></u>

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

**TREDYFFRIN TOWNSHIP POLICE PENSION PLAN
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2017**

ADDITIONS

Contributions:	
State aid	\$ 385,413
Employer contribution	977,587
Employee contribution	<u>216,842</u>
Total Contributions	<u>1,579,842</u>
Investment income:	
Net appreciation in fair value of investments	2,585,744
Realized gain on investment	1,297,328
Interest and dividends	<u>766,535</u>
Total Investment Income	<u>4,649,607</u>
TOTAL ADDITIONS	<u>6,229,449</u>

DEDUCTIONS

Pension benefits paid out	2,004,433
Administrative expenses	<u>107,479</u>
TOTAL DEDUCTIONS	<u>2,111,912</u>
NET INCREASE IN NET POSITION	4,117,537
NET POSITION RESTRICTED FOR PENSIONS:	
BEGINNING OF YEAR	<u>30,584,141</u>
END OF YEAR	<u><u>\$ 34,701,678</u></u>

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

TREDYFFRIN TOWNSHIP
POLICE PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

NOTE 1 DESCRIPTION OF PLAN

General

The Tredyffrin Township Police Pension Plan ("the Plan") is a self-administered single-employer, contributory, defined benefit pension plan covering the Township's full-time police officers, as defined by the plan document. The Township Board of Supervisors established a trust fund maintained by trustees as so designated by a trust agreement between the Township and the trustees.

Plan Membership

Plan membership as of December 31, 2017 consisted of the following:

Active employees	42
Retirees and beneficiaries currently receiving benefits	44
Vested terminated members	<u>4</u>
Total	<u>90</u>

Benefit Provisions

Normal retirement date for members is the first day of the month coincident with or immediately following the earliest of the date the member reaches the age of 52 and completes 25 years of service or reaches the age of 60 and completes 20 years of service.

The annual pension benefit for members who remain in service until their normal retirement date shall be equal to 50 percent of their average yearly compensation (base pay, shift differential, and longevity pay) during the three years immediately preceding their retirement date, provided they completed 20 or more years of continuous service. This benefit will be reduced proportionately for members who have completed less than 20 years of continuous service. Benefits shall be increased up to three percent per year to reflect increases in the cost of living so long as the Plan is actuarially sound. Members hired after December 30, 2003 will be subject to the same pension eligibility requirements and shall receive the same pension benefits as those hired on or before that date, so long as the requirements and benefits are consistent with applicable law; otherwise the eligibility requirements and benefits will be adjusted so as to be consistent with applicable law.

A member who terminates service before normal retirement date may elect one of the following options:

TREDYFFRIN TOWNSHIP
POLICE PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

NOTE 1 DESCRIPTION OF PLAN (cont'd)

1. Members with less than 12 years of continuous service shall receive a full refund of their member contributions with interest compounded at the rate of five percent per year.
2. Members completing 12 years of continuous service are 100 percent vested in their accrued pension benefit and entitled to:
 - a. Leave their participant contributions in the pension plan and receive a monthly pension distribution equal to their vested interest in their accrued pension benefit beginning on what would have been their normal retirement date; or
 - b. Withdraw a lump-sum distribution of participant contributions together with interest compounded at the rate of five percent per year, and receive an actuarially reduced pension distribution of the residual value of their accrued pension benefit beginning on what would have been their normal retirement date.
3. Members with 20 or more years of service shall have the additional option of choosing an early retirement benefit which shall be an actuarial equivalent of the members' accrued pension benefit reduced to reflect that it will commence on the effective date of the early retirement rather than their normal retirement date.

The Plan also contains a disability provision, death benefit provision, and survivor provision.

Contributions

The Commonwealth of Pennsylvania Act 205 ("Act 205") requires that annual contributions be based upon the minimum municipal obligation ("MMO"). The MMO is based upon the Plan's biennial actuarial valuation. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds the state contribution must be funded by the employer in accordance with Act 205. In addition to the MMO, employees were required to contribute five percent to the Plan during 2017.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Plan's financial statements are prepared on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer

TREDYFFRIN TOWNSHIP
POLICE PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

contributions to the Plan are recognized when due in accordance with Act 205, as amended by Act 189. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Cash and Cash Equivalents

For financial reporting purposes, cash and cash equivalents includes investments in money market funds.

Method Used to Value Investments

Investments are recorded at fair value.

In establishing the fair value of investments, the Plan uses the following hierarchy. The lowest available level of valuation is used for all investments.

Level 1 – Valuations based on quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2 – Valuations based on quoted prices of similar products in active markets, quoted prices for identical or similar products in markets that are not active, or quoted prices for which all significant inputs are observable, directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

Administrative Costs

Administrative costs, including the investment manager, custodial trustee, and actuarial services, are charged to the Plan.

TREDYFFRIN TOWNSHIP
POLICE PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

NOTE 3 DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2017, the carrying amount of the Plan's deposits was \$880,374, which is equal to the deposits in money market funds held by the trustee of the Plan. The Plan's deposits are invested in First American Government Obligations which are fully collateralized by U.S. Government securities and are not subject to custodial credit risk.

Investments

The Investment objective of the Plan is to maintain a balanced portfolio comprised of equity, fixed income, and cash equivalent securities.

The Plan had the following investments:

<u>Investment Type by Fair Value</u>	<u>Fair Value</u>	<u>Level 1</u>
Fixed income funds	\$ 10,145,679	\$ 10,145,679
Stock mutual funds	10,991,706	10,991,706
International mutual funds	6,240,648	6,240,648
Common stock	3,489,982	3,489,982
Real estate investment funds	1,773,687	1,773,687
Emerging market funds	703,168	703,168
Total	<u>\$ 33,344,870</u>	<u>\$ 33,344,870</u>

Concentrations

Investments in external investment pools, such as those in mutual funds, are disclosed but not subject to interest rate, custodial, credit, or concentration risks because they are not evidenced by securities that exist in physical or book entry form. None of the investments in common stock of a company exceed five percent of the Plan's total investments.

Money Weighted Rate of Return

For the year ended December 31, 2017, the annual money weighted rate of return on pension plan investments, net of pension plan investment expense was 14.84 percent. The money

TREDYFFRIN TOWNSHIP
POLICE PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

NOTE 3 DEPOSITS AND INVESTMENTS (cont'd)

weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 4 NET PENSION LIABILITY

The net pension liability was measured at December 31, 2017, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2017. No significant events or changes in assumptions occurred between the valuation date and the end of the year. The components of the net pension liability of the Township at December 31, 2017, were as follows:

Total pension liability	\$ 40,869,913
Plan fiduciary net position	<u>(34,701,678)</u>
 Township's net pension liability	 <u>\$ 6,168,235</u>
 Plan fiduciary net position as a percentage of the total pension liability	 84.91%

Actuarial Assumptions

The total pension liability in the December 31, 2017 actuarial evaluation was determined using the following economic assumptions and applies to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	5.0 percent
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP2000 Table projected to 2017 using Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates by the target asset allocation percentage and then adding expected inflation. The target allocation is in the following table:

TREDYFFRIN TOWNSHIP
POLICE PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

NOTE 4 NET PENSION LIABILITY (cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
U.S. Equity	42.00%	5.20%
International Equity	13.50%	5.20%
Emerging Markets	5.50%	5.20%
REITs	6.00%	4.00%
Fixed Income	16.50%	3.00%
Interm IG Corp	8.25%	3.80%
High Yield	4.13%	4.30%
Emerging Debt	4.12%	4.80%
Cash	0.00%	.80%

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer has always met the funding requirements of Act 205. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of unfunded liability.

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan, calculated using the discount rate of 7.25 percent, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Plan's net pension liability	\$ 11,729,875	\$ 6,168,235	\$ 1,584,990

NOTE 5 SUBSEQUENT EVENTS

The Plan has evaluated all subsequent events through August 3, 2018, the date the financial statements were available to be issued.

**TREDYFFRIN TOWNSHIP
POLICE PENSION PLAN**

REQUIRED SUPPLEMENTARY INFORMATION

**TREDFYFRIN TOWNSHIP POLICE PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY, INVESTMENT RETURNS, AND RELATED RATIOS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY				
Service cost	\$ 785,588	\$ 781,263	\$ 744,060	\$ 649,648
Interest cost	2,831,071	2,751,413	2,619,243	2,357,601
Difference between expected and actual experience	(622,406)	-	844,664	-
Changes of assumptions	1,319,097	-	974,828	-
Benefit payments	<u>(2,004,433)</u>	<u>(1,735,440)</u>	<u>(1,541,042)</u>	<u>(1,324,161)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	2,308,917	1,797,236	3,641,753	1,683,088
TOTAL PENSION LIABILITY, BEGINNING OF YEAR	<u>38,560,996</u>	<u>36,763,760</u>	<u>33,122,007</u>	<u>31,438,919</u>
TOTAL PENSION LIABILITY, END OF YEAR	<u>\$ 40,869,913</u>	<u>\$ 38,560,996</u>	<u>\$ 36,763,760</u>	<u>\$ 33,122,007</u>
PLAN FIDUCIARY NET POSITION				
Contributions:				
State aid	\$ 385,413	\$ 367,470	\$ 313,667	\$ 332,556
Employer	977,587	557,034	461,469	452,851
Employee	216,842	212,028	206,057	196,388
Net investment income	4,649,607	2,129,739	(226,459)	2,018,264
Benefit payments	<u>(2,004,433)</u>	<u>(1,735,440)</u>	<u>(1,541,042)</u>	<u>(1,324,161)</u>
Administrative expenses	<u>(107,479)</u>	<u>(60,005)</u>	<u>(119,604)</u>	<u>(26,942)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	4,117,537	1,470,826	(905,912)	1,648,956
PLAN FIDUCIARY NET POSITION, BEGINNING OF YEAR	<u>30,584,141</u>	<u>29,113,315</u>	<u>30,019,227</u>	<u>28,370,271</u>
PLAN FIDUCIARY NET POSITION, END OF YEAR	<u>\$ 34,701,678</u>	<u>\$ 30,584,141</u>	<u>\$ 29,113,315</u>	<u>\$ 30,019,227</u>
TOWNSHIP'S NET PENSION LIABILITY	<u>\$ 6,168,235</u>	<u>\$ 7,976,855</u>	<u>\$ 7,650,445</u>	<u>\$ 3,102,780</u>
Plan fiduciary net position as a percentage of total pension liability	84.91%	79.31%	79.19%	90.63%
Covered employee payroll	\$ 4,742,098	\$ 4,823,120	\$ 4,201,336	\$ 4,201,336
Township's net pension liability as a percentage of covered payroll	130.07%	165.39%	182.10%	73.85%
Annual money-weighted rate of return, net of investment expense	14.84%	7.31%	-1.06%	-1.06%

The requirement is to show information for 10 years; however, until a full 10-year trend is compiled, the Plan shall present information for the years for which information is available.

Assumption Changes - In 2015, the mortality assumption was changed from the Blue Collar RP-2000 Table to the Blue Collar RP-2000 Table projected to 2015 using Scale AA. In 2017, the mortality assumption was changed from the Blue Collar RP-2000 Table projected to 2015 to the Blue Collar RP-2000 Table projected to 2017 using Scale AA, and the interest rate assumption was decreased from 7.50% to 7.25%.

Benefit Changes - None.

**TREDYFFRIN TOWNSHIP POLICE PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF TOWNSHIP CONTRIBUTIONS

Year	Actuarial Determined Contribution	Contributions from Employer	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Payroll
2008	\$ 722,220	\$ 722,220	\$ -	*	*
2009	759,474	759,474	-	3,640,529	20.86%
2010	419,525	419,525	-	*	*
2011	500,507	500,507	-	3,966,892	12.62%
2012	558,265	558,265	-	*	*
2013	559,588	559,588	-	3,491,539	16.03%
2014	785,407	785,407	-	4,282,088	18.34%
2015	775,136	775,136	-	4,201,336	18.45%
2016	924,504	924,504	-	4,823,120	19.17%
2017	913,000	1,363,000	(450,000)	4,742,098	28.74%

* Not available due to biennially required Act 205 report.

Notes to Schedule of Township Contributions:

Methods and Assumptions Used to Determine Contribution Rates:

Valuation date	January 1, 2017
Actuarial cost method	Entry age
Amortization method	Level dollar
Remaining amortization period	35 Years
Asset valuation method	Market value of assets as determined by the trustee
Inflation	2.25%
Salary increases	5.00%
Investment rate of return	7.25%
Retirement age	Normal Retirement - Age 52 and 25 years of service; if hired prior to 1/1/2004, age 60 and 20 years of service
Mortality	Early Retirement - 20 years of Service (Act 24) RP2000 table projected to 2015 using Scale AA

INDEPENDENT AUDITOR'S
REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

August 3, 2018

Board of Supervisors
Tredyffrin Township
Berwyn, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Tredyffrin Township Police Pension Plan ("the Plan"), Berwyn, Pennsylvania, which comprise the statement of fiduciary net position as of December 31, 2017, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 3, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Plan's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Plan's financial statements will not be prevented, or detected and corrected, on a timely basis. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

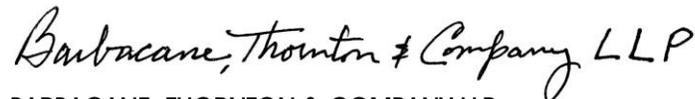
Board of Supervisors
Tredyffrin Township

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plan's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


BARBACANE, THORNTON & COMPANY LLP