

BOROUGH OF AMBLER
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2017

**BOROUGH OF AMBLER
DIRECTORY**

MAYOR

Jeanne Sorg

(Term expires December 31, 2017)

MEMBERS OF BOROUGH COUNCIL

(Terms expire December 31, 2019)

Salvatore Pasceri
Frank DeRuosi
Francine Tomlinson
Claudio Zaccone

(Terms expire December 31, 2017)

Sharon McCormick
Sara Hertz
Ed Curtis
Jonathan Sheward
Nancy Deininger

OFFICERS

Salvatore Pasceri
Ed Curtis
Marita Bondi

President of Council
Vice President
Treasurer

BOROUGH MANAGER

Mary Aversa

FINANCE MANAGER

Gail Gordon

TAX COLLECTOR

Bernadette Dougherty

SOLICITOR

Joseph E. Bresnan

ACCOUNTANTS

ZELENKOF SKE AXELROD LLC

Certified Public Accountants

BOROUGH OF AMBLER
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2017

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	3
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
STATEMENT OF NET POSITION	12
STATEMENT OF ACTIVITIES	13
FUND FINANCIAL STATEMENTS:	
BALANCE SHEET – GOVERNMENTAL FUNDS	15
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES	16
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	17
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES	18
STATEMENT OF NET POSITION – PROPRIETARY FUNDS	19
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS	20
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS	21
STATEMENT OF PLAN NET POSITION – FIDUCIARY FUNDS	23
STATEMENT OF CHANGES IN PLAN NET POSITION – FIDUCIARY FUNDS	24
NOTES TO FINANCIAL STATEMENTS	25
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)	
PENSION PLANS – SCHEDULES OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS CALCULATED IN ACCORDANCE WITH GASB 68	50

BOROUGH OF AMBLER
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2017

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) (CONTINUED)

PENSION PLANS – SCHEDULES OF EMPLOYER CONTRIBUTIONS, INVESTMENT RETURNS AND EMPLOYER'S NET PENSION LIABILITY	51
SCHEDULE OF FUNDING PROGRESS AND SCHEDULE OF EMPLOYER CONTRIBUTIONS - OTHER POSTEMPLOYMENT BENEFITS PLAN	52
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND	53
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – REFUSE FUND	54

OTHER SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS	55
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS	56
COMBINING STATEMENT OF PLAN NET POSITION - FIDUCIARY FUNDS	57
COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION – FIDUCIARY FUNDS	58



Zelenkofske Axelrod LLC

CERTIFIED PUBLIC ACCOUNTANTS

Experience Expertise Accountability

INDEPENDENT AUDITOR'S REPORT

Honorable Borough Council
Borough of Ambler
Ambler, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Ambler (Pennsylvania), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

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 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 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 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Ambler, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Honorable Borough Council
Borough of Ambler

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of pension and other postemployment benefit (OPEB) information, and budgetary comparison information on pages 3-11 and 50-54 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Borough of Ambler's basic financial statements. The combining nonmajor fund financial statements and combining schedules of fiduciary funds on pages 55-58 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and combining schedules of fiduciary funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and combining schedules of fiduciary funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Zelenkofske Axelrod LLC

ZELENKOFSCHE AXELROD LLC

Jamison, Pennsylvania
May 29, 2018

BOROUGH OF AMBLER
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

This section of Ambler Borough's annual financial report presents our discussion and analysis of the Borough's financial performance during the fiscal year that ended on December 31, 2017.

Our discussion and analysis of Ambler Borough's financial performance provides an overview of the Borough's financial activities for the fiscal year ended December 31, 2017. Please read it in conjunction with the Borough's financial statements, which begin with the statement of net position.

Financial Highlights

- The assets of the Borough exceeded its liabilities by \$16,918,759 (net position).
- The Borough's total net position decreased by \$486,275.

Overview of the Financial Statements

The Borough's annual financial report consists of several sections. Taken together, they provide a comprehensive financial look at the Borough. The components of the report include the independent auditor's report, management's discussion and analysis, government-wide financial statements, fund financial statements and notes to the basic financial statements. This report also contains other required and not required supplementary information in addition to the basic financial statements.

The independent auditor's report briefly describes the audit engagement and also renders an opinion as to the material components of the Borough's financial position.

Management's discussion and analysis (MD&A), prepared by the Borough's management, provides a narrative introduction and overview that users of the financial statements need to interpret the basic financial statements. The MD&A also provides analysis of some key data that is presented in the basic financial statements. It also addresses any other currently known facts, decisions, or conditions that are expected to have a significant effect on financial position or results of operations.

The basic financial statements include the statement of net position, statement of activities, fund financial statements and the notes to the basic financial statements. Statements of net position and activities focus on an entity-wide presentation using the accrual basis of accounting. They are designed to be more corporate-like in that all activities are consolidated into a total for the Borough.

- The statement of net position focuses on resources available for future operations. This statement presents a snapshot view of the assets the Borough owns, the liabilities it owes and the net difference.
- The statement of activities focuses on gross and net costs of the Borough's programs and the extent to which such programs rely upon taxes and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by other sources.

BOROUGH OF AMBLER
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

Overview of the Financial Statements (Continued)

- Fund financial statements focus separately on major Governmental Funds, Proprietary Funds and Fiduciary Funds. Governmental Funds statements follow the more traditional presentation of financial statements. The Borough's major Governmental Funds are presented in their own columns, and the remaining funds are combined into a column titled "Other Governmental Funds." Statements for the Borough's Proprietary Funds follow the Governmental Funds and include net position, revenues, expenses and changes in net position and cash flows. The Proprietary Funds represent the Borough's Sanitary Sewer and Water Funds and can be found in more detail beginning with the statement of net position-Proprietary Funds. Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. The Borough's Fiduciary Funds consist of the Pension Funds. Fiduciary Funds are not reflected in the governmental-wide statements because the Borough cannot use these assets to finance its operations.
- The notes to the basic financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Borough's financial condition.

Other required supplementary information is additional information consisting of budgetary comparisons for the General Fund and Refuse Fund and pension plan funding progress.

Other supplementary information consists of the combining statements of Other Nonmajor Governmental Funds, other budgetary information, and combining statements of Fiduciary Funds.

Reporting the Borough as a Whole

Statement of Net Position and Statement of Activities:

Our analysis of the Borough as a whole begins with the statement of net position. One of the most important questions asked about the Borough's finances is, "Is the Borough as a whole better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about the Borough as a whole and about its activities in a way that helps answer this question. In these statements, we divide the Borough into two kinds of activities.

- **Governmental Activities** – Most of the Borough's basic services are reported here, including police, public works, refuse, safety and codes, parks and recreation and administration. Real Estate, Business and Earned Income Taxes, fees and charges and grants finance most of these activities.
- **Business-Type Activities** – The Borough charges a fee to customers to cover the cost of certain services it provides. The Borough's Sanitary Sewer and the Water Funds are reported here.

BOROUGH OF AMBLER
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

Reporting the Borough as a Whole (Continued)

Statement of Net Position and Statement of Activities (Continued):

The analysis below focuses on the net position of the Borough's governmental and business-type activities.

**Condensed Statement of Net Position
December 31, 2017**

	2017			2016
	Governmental Activities	Business-Type Activities	Total Primary Governmental	
ASSETS				
Current and Other Assets	\$ 6,279,603	\$ 2,613,530	\$ 8,893,133	\$ 7,184,307
Capital Assets	<u>10,445,753</u>	<u>8,264,459</u>	<u>18,710,212</u>	<u>18,347,892</u>
Total Assets	16,725,356	10,877,989	27,603,345	25,532,199
 DEFERRED OUTFLOWS OF RESOURCES	 1,203,203	 178,962	 1,382,165	 2,172,713
LIABILITIES				
Other Liabilities	308,936	417,459	726,395	427,287
Long-Term Debt Outstanding	<u>6,895,286</u>	<u>3,153,390</u>	<u>10,048,676</u>	<u>9,661,000</u>
Total Liabilities	7,204,222	3,570,849	10,775,071	10,088,287
 DEFERRED INFLOWS OF RESOURCES	 1,128,844	 162,836	 1,291,680	 211,491
NET POSITION				
Net Investment in Capital Assets	6,792,602	5,111,069	11,903,671	11,570,450
Restricted	3,045,374	386,207	3,431,581	4,767,572
Unrestricted	<u>(242,483)</u>	<u>1,825,990</u>	<u>1,583,507</u>	<u>1,067,012</u>
Total Net Position	<u>\$ 9,595,493</u>	<u>\$ 7,323,266</u>	<u>\$ 16,918,759</u>	<u>\$ 17,405,034</u>

Cash represents 24% of Ambler Borough's total governmental assets.

The largest portion of the Borough's governmental assets, 64%, is reflected in its investment in capital assets (e.g. land, buildings and recreation equipment). The Borough uses these capital assets to provide services to residents; consequently, these assets are not available for future spending.

Assets in the business-type activities column reflect the Borough's investment in its Sanitary Sewer System and Water System. The Borough's Water System services parts of 4 municipalities in addition to the Borough.

Total expenses exceeded total revenues by \$729,033 for Governmental Activities and total revenue exceeded total expenses by \$242,758 for Business-Type Activities.

BOROUGH OF AMBLER
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

Reporting the Borough as a Whole (Continued)

Government-Wide Activities:

The Borough generates governmental (General Fund, Special Revenue Funds, Capital Projects Funds and Debt Service Fund) revenues from a variety of sources. Total general revenue for governmental activities for fiscal 2017 was \$4,035,125. General revenues by source were as follows:

<u>General Revenues</u>	<u>2017</u>		<u>2016</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
Property Taxes	\$ 2,110,077	52.29%	\$ 2,087,484	47.50%
Earned Income Tax	966,079	23.94%	937,109	21.32%
Business Privilege Tax	157,999	3.92%	77,570	1.77%
Local Services Tax	135,497	3.36%	116,280	2.65%
State Motor Vehicle Fuel Tax	164,915	4.09%	157,581	3.59%
Deed Transfer Tax	164,857	4.09%	176,723	4.02%
Public Utility Realty Tax	3,221	0.08%	3,513	0.08%
Investment Earnings and Rent	73,414	1.82%	76,108	1.73%
Gain on Sale of Assets	-	0.00%	664,464	15.12%
Miscellaneous	259,066	6.42%	97,810	2.23%
Total General Revenues and Other Items	<u>\$ 4,035,125</u>	<u>100.00%</u>	<u>\$ 4,394,642</u>	<u>100.00%</u>

The Borough's governmental programs (General Fund, Special Revenue Funds, Capital Projects Funds and Debt Service Fund)) consist of 8 operating departments to include police (protection to persons and property), planning commission, health and sanitation, highways, street lighting, fire protection, recreation and administration. Total expenses, net of program revenues, for fiscal 2017 were \$5,086,381. Expenses (Net of Program Revenues) by source were as follows:

	<u>2017</u>	<u>2016</u>
General	\$ 503,998	\$ 181,026
Tax Collection	-	9,223
Police (Protection to Persons and Property)	3,132,735	2,361,289
Health and Sanitation	171,545	91,767
Highways	392,944	319,364
Street Lighting	58,306	76,563
Streets and Roads	169,994	230,771
Fire Protection	137,811	176,665
Recreation	105,562	42,063
Miscellaneous	-	-
Revitalization	25,360	(725,228)
Interest	65,903	178,534
Total Governmental Activities	<u>\$ 4,764,158</u>	<u>\$ 2,942,037</u>
Change in Net Position		
(Governmental Activities)	<u>\$ (729,033)</u>	<u>\$ 1,452,605</u>

BOROUGH OF AMBLER
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

Reporting the Borough as a Whole (Continued)

Business-Type Activities:

The Borough's proprietary funds (water fund and sewer fund) total revenue and expenses, net of program revenues, were as follows:

	<u>2017</u>	<u>2016</u>
<u>General Revenues</u>		
Interest Earnings	\$ 11,277	\$ 9,909
Total General Revenues, Transfers and Other Items	<u>\$ 11,277</u>	<u>\$ 9,909</u>
 <u>Expenses Net of Program Revenues</u>		
Water	\$ 281,970	\$ 715,092
Sewer	<u>(50,489)</u>	<u>315</u>
Total Business-Type Activities	<u>\$ 231,481</u>	<u>\$ 715,407</u>
 Change in Net Position (Business-Type Activities)	 <u>\$ 242,758</u>	 <u>\$ 725,316</u>

BOROUGH OF AMBLER
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

Reporting the Borough as a Whole (Continued)

Government-Wide Activities:

**CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2017**

	2017			
	Governmental Activities	Business-Type Activities	Total Primary Governmental	2016
Revenues				
Program Revenues:				
Charges for Services	\$ 799,817	\$ 3,676,009	\$ 4,475,826	\$ 4,635,212
Operating Grants and Contributions	133,198	-	133,198	66,754
Capital Grants and Contributions	-	-	-	761,858
General Revenues:				
Property Taxes	2,110,077	-	2,110,077	2,087,484
Other Taxes	1,592,568	-	1,592,568	1,468,776
Investment Income	73,414	11,277	84,691	86,017
Gain on Sale of Assets	-	-	-	664,464
Miscellaneous	259,066	-	259,066	97,810
Total Revenues	<u>4,968,140</u>	<u>3,687,286</u>	<u>8,655,426</u>	<u>9,868,375</u>
Expenses				
Operating	-	3,444,528	3,444,528	3,081,451
General	832,409	-	832,409	408,901
Tax Collection	-	-	-	9,223
Police (Protection to Persons/Property)	3,350,930	-	3,350,930	2,616,219
Health and Sanitation	494,293	-	494,293	495,162
Highways	392,944	-	392,944	319,364
Street Lighting	58,306	-	58,306	76,563
Streets and Roads	169,994	-	169,994	230,771
Fire Protection	201,472	-	201,472	221,031
Recreation	105,562	-	105,562	42,063
Revitalization	25,360	-	25,360	11,172
Interest	65,903	-	65,903	178,534
Total Expenses	<u>5,697,173</u>	<u>3,444,528</u>	<u>9,141,701</u>	<u>7,690,454</u>
Changes in Net Position	(729,033)	242,758	(486,275)	2,177,921
Net Position - Beginning of Year	<u>10,324,526</u>	<u>7,080,508</u>	<u>17,405,034</u>	<u>15,227,113</u>
Net Position - End of Year	<u>\$ 9,595,493</u>	<u>\$ 7,323,266</u>	<u>\$ 16,918,759</u>	<u>\$ 17,405,034</u>

BOROUGH OF AMBLER
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

Financial Analysis

Governmental Funds:

General Fund – The \$631,950 net change in fund balance was due to Earned Income Tax revenues coming in over budget and delays in capital projects.

Proprietary Funds:

Water Fund – The \$290,714 excess of revenues over expenditures was primarily due to the fact that expenses were less due to being short one employee and less major repairs were needed than was budgeted.

Sewer Fund – The fund operated at a loss of \$47,956 due to an unexpected major repair.

Revenue Budgetary Highlights (as noted in general fund budget and actual schedule on page 53)

Revenues were over budget due to EIT and Parking Revenue coming in over budget.

Expenditures Budgetary Highlights

Expenditures were under budget due to projects not completed that were budgeted.

Capital Assets and Debt Administration

Capital Assets:

Ambler Borough's capital assets for its governmental and business-type activities as of December 31, 2017 totals \$18,710,212 (net of accumulated depreciation). Borough capital assets include land, plant, infrastructure, site improvements, buildings and machinery and equipment.

**CAPITAL ASSETS AT YEAR END
(NET OF DEPRECIATION)
DECEMBER 31, 2017**

	Governmental Activities	Business-Type Activities	Total 2017	Total 2016
Land	\$ 1,572,067	\$ 2,328	\$ 1,574,395	\$ 1,574,395
Construction in Progress	544,487	12,912	557,399	541,383
Buildings and Improvements	5,318,819	313,261	5,632,080	5,675,240
Site Improvements	156,548	-	156,548	166,988
Machinery, Vehicles, Furniture & Equipment	307,612	232,499	540,111	534,039
Plant in Service	-	7,576,701	7,576,701	7,464,589
Infrastructure	2,546,220	126,758	2,672,978	2,391,258
Total Capital Assets, Net of Depreciation	<u>\$ 10,445,753</u>	<u>\$ 8,264,459</u>	<u>\$ 18,710,212</u>	<u>\$ 18,347,892</u>

Infrastructure, site improvements, building and machinery and equipment are depreciated using the straight-line method.

BOROUGH OF AMBLER
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

Debt

At year end, the Borough had \$6,806,541 in outstanding debt, \$1,267,808 of which is due within one year. The Borough's business-type activities (Water & Sewer Funds) debt represents 45% of the total debt.

<u>Governmental Activities</u>	<u>2017</u>	<u>2016</u>
General Obligation Bonds/Notes	\$ 3,590,131	\$ 3,675,131
Capital Lease Payable	<u>63,020</u>	<u>37,191</u>
Total	<u>\$ 3,653,151</u>	<u>\$ 3,712,322</u>
 <u>Business-Type Activities</u>		
General Obligation Bonds	\$ 3,120,000	\$ 3,000,098
Capital Lease Payable	<u>33,390</u>	<u>65,022</u>
Total	<u>\$ 3,153,390</u>	<u>\$ 3,065,120</u>

Economic Factors and Next Year's Budget and Rates

Governmental Activities:

Ambler Borough services an area of approximately one square mile and a community of 6,417 residents. Of the residents, 15.1% are over the age of 65, compared to the national average of 13%. Of the residents age 16 and over 73.6% are employed, compared to the national average of 64.3%. The major employers in the Borough are: the Artman Home, LTK Engineering Services, Gessnar Products, and the U.S. Post Office. The average median household income is \$57,465 compared to the national average of \$51,900 (economic statistics from the 2010 U.S. Census Bureau).

The Borough has undergone many changes over the last few years. The Downtown area continues to flourish. The Borough was awarded 3 significant grants in 2017. One is a Growing Greener Grant to install Rain Barrels, Rain Gardens and help with Riparian Buffer Restoration. The second one is a CDBG (Community Development Block Grant) to create handicapped accessibility to the Borough Building's Community Center. The third is a DCNR (Department of Conservation and Natural Resource) Grant to remove the existing asphalt and create a beautiful green pocket park to help with storm water issues and add use and beautification to this downtown area.

Business-Type Activities:

The Borough Water Department services approximately 5,700 customers in a six square mile radius. In addition to Amber Borough residents, it also services portions of Upper Dublin, Lower Gwynedd, Whitpain and Whitemarsh Townships.

In 2017, Ambler Borough Water Department replaced 1,300 linear feet of 6-inch water main on Lafayette Avenue in Fort Washington. The Water Department replaced valves at Bethlehem Pike & Forest Avenue, at Woodland Avenue & Bethlehem Pike, at Chestnut Street & Center Street, at Belmont Avenue & Ridge Avenue and at Lafayette Avenue & Bethlehem Pike. Additionally, we purchased three new fire hydrants; installed a new pump and motor at Well 7; installed a variable speed drive at Loch Alsh Booster Station; and installed new motor and re-piped interior sections at the Whitemarsh Spring Well. The Water Department purchased and installed a

BOROUGH OF AMBLER
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

chlorine cylinder storage shed at a water tank. We resurfaced driveways at Wells 6, 7 and 11. Additionally, we purchased two new pick-up trucks with the Public Works Department.

The Borough's Sewer Department services all Borough residents and businesses. This year the Borough with the help of CDBG Grant funds completed a major rehabilitation project of approximately 1,000 linear feet on Butler, Fairview, North Main and Rosemont Avenues.

Next Year's Budget:

The 2018 Proposed Budget is presented with no tax increase. The Borough has been fortunate enough to have Taxable Assessed Values and Earned Income Taxes experiencing slight increases which are sufficient to cover our normal inflationary expense increase.

Refuse fees will be increased from \$150 per year to \$200 per year. Two years ago refuse fees were \$300 per year. The Borough was able to affect this reduction using prior year's refuse reserves.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Borough's finances and show the Borough's accountability for the funds it receives and disburses. If you have any questions about this report or to request additional financial information, please contact the Borough Manager or Finance Manager at 131 Rosemary Avenue, Ambler, PA 19002.

**BOROUGH OF AMBLER
STATEMENT OF NET POSITION
DECEMBER 31, 2017**

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 3,827,034	\$ 2,054,572	\$ 5,881,606
Restricted Cash	75,294	-	75,294
Taxes Receivable	269,255	-	269,255
Accounts Receivable - Net	357,589	264,799	622,388
Internal Balances	5,290	(5,290)	-
Inventories	-	73,089	73,089
Due from Other Governments	41,523	-	41,523
Net Pension Asset	1,703,618	226,360	1,929,978
Capital Assets - Not Being Depreciated			
Land	1,572,067	2,328	1,574,395
Construction in Progress	544,487	12,912	557,399
Capital Assets - Net of Depreciation:			
Buildings and Improvements	5,318,819	313,261	5,632,080
Site Improvements	156,548	-	156,548
Machinery, Vehicles, Furniture and Equipment	307,612	232,499	540,111
Plant in Service	-	7,576,701	7,576,701
Infrastructure	2,546,220	126,758	2,672,978
Total Assets	16,725,356	10,877,989	27,603,345
Deferred Outflows of Resources			
Pension - Difference between Projected and Actual Investment Earnings	751,601	104,167	855,768
Differences in Assumptions	451,602	74,795	526,397
Total Deferred Outflows of Resources	1,203,203	178,962	1,382,165
Liabilities			
Accounts Payable	217,419	387,695	605,114
Accrued Expenses	16,223	29,764	45,987
Long Term Debt			
Due Within One Year	90,000	253,000	343,000
Due Beyond One Year	3,500,131	2,867,000	6,367,131
Capital Leases Payable			
Due Within One Year	37,017	33,390	70,407
Due Beyond One Year	26,003	-	26,003
Other Post-Employment Benefits			
Due Beyond One Year	3,242,135	-	3,242,135
Escrow Funds Payable	75,294	-	75,294
Total Liabilities	7,204,222	3,570,849	10,775,071
Deferred Inflows of Resources			
Pension - Investment Earnings	708,845	119,536	828,381
Pension - Difference in Experience	419,999	43,300	463,299
Total Deferred Inflows of Resources	1,128,844	162,836	1,291,680
Net Position			
Net Investment in Capital Assets	6,792,602	5,111,069	11,903,671
Restricted for:			
Net Pension Asset	1,703,618	386,207	2,089,825
Refuse Collection	271,912	-	271,912
Highway Fund	192,712	-	192,712
Debt Service	276,631	-	276,631
Revolving Loan Fund	340,273	-	340,273
Recreation	109,327	-	109,327
Street Lighting	150,901	-	150,901
Unrestricted (Deficit)	(242,483)	1,825,990	1,583,507
Total Net Position	\$ 9,595,493	\$ 7,323,266	\$ 16,918,759

See accompanying Notes to Financial Statements.

BOROUGH OF AMBLER
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
Primary Government:						
Governmental Activities						
General	\$ 832,409	\$ 258,874	\$ 69,537	\$ -	\$ (503,998)	\$ -
Protection to Persons and Property	3,350,930	218,195	-	-	(3,132,735)	-
Health and Sanitation	494,293	322,748	-	-	(171,545)	-
Highways	392,944	-	-	-	(392,944)	-
Street Lighting	58,306	-	-	-	(58,306)	-
Streets and Roads	169,994	-	-	-	(169,994)	-
Fire Protection	201,472	-	63,661	-	(137,811)	-
Recreation	105,562	-	-	-	(105,562)	-
Revitalization	25,360	-	-	-	(25,360)	-
Interest on Long Term Debt	65,903	-	-	-	(65,903)	-
Total Governmental Activities	5,697,173	799,817	133,198	-	(4,764,158)	-
Business-Type Activities:						
Water	2,340,051	2,622,021	-	-	-	281,970
Sewer	1,104,477	1,053,988	-	-	-	(50,489)
Total Business-Type Activities	3,444,528	3,676,009	-	-	-	231,481
Total Primary Government	\$ 9,141,701	\$ 4,475,826	\$ 133,198	\$ -	(4,764,158)	(4,532,677)

See accompanying Notes to Financial Statements.

BOROUGH OF AMBLER
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

	Net (Expense) Revenue and Changes in Net Position		
	Governmental	Business-Type	Total
	Activities	Activities	
General Revenues:			
Property Taxes	2,110,077	-	2,110,077
Earned Income Tax	966,079	-	966,079
Business Privilege Tax	157,999	-	157,999
Local Services Tax	135,497	-	135,497
State Motor Vehicle Fuel Tax	164,915	-	164,915
Deed Transfer Tax	164,857	-	164,857
Public Utility Realty Tax	3,221	-	3,221
Investment Earnings and Rent	73,414	11,277	84,691
Miscellaneous	259,066	-	259,066
Total General Revenues and Other Items	4,035,125	11,277	4,046,402
Change in Net Position	(729,033)	242,758	(486,275)
Net Position - Beginning of Year	10,324,526	7,080,508	17,405,034
Net Position - End of Year	\$ 9,595,493	\$ 7,323,266	\$ 16,918,759

See accompanying Notes to Financial Statements.

BOROUGH OF AMBLER
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	<u>Major Funds</u>		Other	Total
	General	Refuse	Governmental Funds	Governmental Funds
<u>Assets</u>				
Cash and Cash Equivalents	\$ 2,829,913	\$ 222,072	\$ 775,049	\$ 3,827,034
Restricted Cash	75,294	-	-	75,294
Taxes Receivable	267,066	-	2,189	269,255
Accounts Receivable, Net	1,182	46,407	310,000	357,589
Due from Other Funds	10,607	7,406	80	18,093
Due from Other Governments	41,523	-	-	41,523
Total Assets	<u>\$ 3,225,585</u>	<u>\$ 275,885</u>	<u>\$ 1,087,318</u>	<u>\$ 4,588,788</u>
<u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts Payable and Accrued Expenses	\$ 206,580	\$ 3,973	\$ 6,867	\$ 217,420
Accrued Expenses	16,223	-	-	16,223
Due to Other Funds	2,195	-	10,607	12,802
Escrow Funds Payable	75,294	-	-	75,294
Total Liabilities	<u>300,292</u>	<u>3,973</u>	<u>17,474</u>	<u>321,739</u>
Fund Balances				
Restricted	-	271,912	1,069,844	1,341,756
Assigned	95,778	-	-	95,778
Unassigned, Reported in:				
General Fund	<u>2,829,515</u>	<u>-</u>	<u>-</u>	<u>2,829,515</u>
Total Fund Balances	<u>2,925,293</u>	<u>271,912</u>	<u>1,069,844</u>	<u>4,267,049</u>
Total Liabilities and Fund Balances	<u>\$ 3,225,585</u>	<u>\$ 275,885</u>	<u>\$ 1,087,318</u>	<u>\$ 4,588,788</u>

See accompanying Notes to Financial Statements.

BOROUGH OF AMBLER
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2017

Fund Balances - Total Governmental Funds	\$ 4,267,049
Amounts reported for governmental activities in the statement of net position are different because:	
Net Pension Assets and Deferrals are not financial resources and, therefore are not reported in the governmental funds	1,777,977
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	10,445,753
Long term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.	
Capital Lease	(63,020)
General Obligation Bonds and Note Payable	(3,590,131)
Other Post-Employment Benefits	<u>(3,242,135)</u>
Net Position of Governmental Activities	<u>\$ 9,595,493</u>

See accompanying Notes to Financial Statements.

BOROUGH OF AMBLER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2017

	<u>Major Funds</u>		Other	Total
	General	Refuse	Governmental	Governmental
			Funds	Funds
Revenues				
Taxes	\$ 3,224,836	\$ -	\$ 309,674	\$ 3,534,510
Foreign Fire Relief	-	-	40,375	40,375
State Motor Vehicle Fuel Tax	-	-	164,915	164,915
Licenses and Permits	218,195	-	-	218,195
Fines, Forfeits and Costs	50,129	-	-	50,129
Interest on Investments	57,028	7,027	8,869	72,924
Grants and Revenue Sharing	69,512	-	-	69,512
Charges for Services	214,765	322,748	546	538,059
Contributions	-	-	23,287	23,287
Public Utility Realty Tax	3,221	-	-	3,221
Miscellaneous	182,313	125	-	182,438
Sale of Assets	2,850	-	-	2,850
Total Revenues	<u>4,022,849</u>	<u>329,900</u>	<u>547,666</u>	<u>4,900,415</u>
Expenditures				
General	396,331	-	-	396,331
Protection to Persons and Property	2,205,034	-	-	2,205,034
Health and Sanitation	-	494,293	-	494,293
Highways	374,061	-	18,883	392,944
Streets and Roads	169,994	-	-	169,994
Street Lighting	-	-	58,306	58,306
Fire Protection	-	-	201,472	201,472
Recreation	15,256	-	90,306	105,562
Revitalization	25,360	-	-	25,360
Debt Service	203,177	-	-	203,177
Capital Outlays	177,513	-	270,510	448,023
Total Expenditures	<u>3,566,726</u>	<u>494,293</u>	<u>639,477</u>	<u>4,700,496</u>
Excess (Deficit) of Revenues Over Expenditures	<u>456,123</u>	<u>(164,393)</u>	<u>(91,811)</u>	<u>199,919</u>
Other Financing Sources (Uses)				
Proceeds from Capital Lease	78,102	-	-	78,102
Transferred In (Out)	97,725	(30,000)	-	67,725
Total Other Financing Sources (Uses)	<u>175,827</u>	<u>(30,000)</u>	<u>-</u>	<u>145,827</u>
Net Change in Fund Balances	631,950	(194,393)	(91,811)	345,746
Fund Balances - Beginning of Year	<u>2,293,343</u>	<u>466,305</u>	<u>1,161,655</u>	<u>3,921,303</u>
Fund Balances - End of Year	<u>\$ 2,925,293</u>	<u>\$ 271,912</u>	<u>\$ 1,069,844</u>	<u>\$ 4,267,049</u>

See accompanying Notes to Financial Statements.

BOROUGH OF AMBLER
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

Net Change in Fund Balances - Total Governmental Funds	\$ 345,746
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense	
Expenditures less disposals for general capital assets, infrastructure, and other related capital assets adjustments	448,023
Current year depreciation	(233,274)
The change in Net Pension Asset and Deferrals are reported in the Statement of Activities but are not reported in the Governmental Funds.	(992,760)
The issuance of long term debt provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds.	
This amount is the proceeds of the issuance of Capital Leases.	(78,102)
The governmental funds report debt proceeds as financing sources, while repayment of debt principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. The net effect of these differences in the treatment of long-term debt is as follows:	
Principal repayments:	
General Obligation Note	85,000
Capital Leases	52,273
Change in Accrued Interest	2,538
Other post-employment benefits do not require the use of current financial resources, therefore, are not reported as expenditures in Governmental Funds as follows:	
Change in post-employment benefits	<u>(358,477)</u>
Change in Net Position of Governmental Activities	<u>\$ (729,033)</u>

See accompanying Notes to Financial Statements.

**BOROUGH OF AMBLER
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<u>Assets</u>			
Current Assets			
Cash and Cash Equivalents	\$ 1,538,261	\$ 516,311	\$ 2,054,572
Accounts Receivable (Net of Allowance for Uncollectibles)	231,282	33,517	264,799
Due from Other Funds	2,116	17,934	20,050
Inventories	73,090	-	73,090
Total Current Assets	<u>1,844,749</u>	<u>567,762</u>	<u>2,412,511</u>
Non-Current Assets			
Net Pension Asset	<u>181,444</u>	<u>44,915</u>	<u>226,359</u>
Capital Assets			
Land	2,328	-	2,328
Construction-In-Progress	12,912	-	12,912
Infrastructure (Net)	-	126,758	126,758
Building (Net)	311,481	1,780	313,261
Machinery, Vehicles, Furniture and Equipment (Net)	214,375	18,124	232,499
Plant in Service (Net)	7,576,701	-	7,576,701
Total Capital Assets (Net of Accumulated Depreciation)	<u>8,117,797</u>	<u>146,662</u>	<u>8,264,459</u>
Total Non-Current Assets	<u>8,299,241</u>	<u>191,577</u>	<u>8,490,818</u>
Total Assets	<u>10,143,990</u>	<u>759,339</u>	<u>10,903,329</u>
<u>Deferred Outflows of Resources</u>			
Pension-Difference Between Projected and Actual Investment Earnings	83,498	20,669	104,167
Pension-Differences in Assumptions	59,954	14,841	74,795
Total Deferred Outflows of Resources	<u>143,452</u>	<u>35,510</u>	<u>178,962</u>
<u>Liabilities</u>			
Current Liabilities			
Accounts Payable	173,102	214,593	387,695
Accrued Expenses	28,744	1,020	29,764
Due to Other Funds	25,340	-	25,340
General Obligation Bonds Payable - Due Within One Year	253,000	-	253,000
Capital Leases Payable - Due Within One Year	33,390	-	33,390
Total Current Liabilities	<u>513,576</u>	<u>215,613</u>	<u>729,189</u>
Non-Current Liabilities			
General Obligation Bonds Payable - Due in More than One Year	<u>2,867,000</u>	<u>-</u>	<u>2,867,000</u>
Total Non-Current Liabilities	<u>2,867,000</u>	<u>-</u>	<u>2,867,000</u>
Total Liabilities	<u>3,380,576</u>	<u>215,613</u>	<u>3,596,189</u>
<u>Deferred Inflows of Resources</u>			
Pension-Investment Earnings	95,817	23,719	119,536
Pension-Difference in Experience	34,708	8,592	43,300
Total Deferred Inflows of Resources	<u>130,525</u>	<u>32,311</u>	<u>162,836</u>
<u>Net Position</u>			
Net Investment in Capital Assets	4,964,407	146,662	5,111,069
Restricted for Net Pension Asset	309,587	76,620	386,207
Unrestricted	<u>1,502,347</u>	<u>323,643</u>	<u>1,825,990</u>
Total Net Position	<u>\$ 6,776,341</u>	<u>\$ 546,925</u>	<u>\$ 7,323,266</u>

See accompanying Notes to Financial Statements.

BOROUGH OF AMBLER
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2017

	Water Fund	Sewer Fund	Total
Operating Revenues			
Metered Water Sales	\$ 2,291,389	\$ -	\$ 2,291,389
Sewer Rents	-	923,451	923,451
Water Tower Rental	244,490	-	244,490
Water Line Protection	5,039	-	5,039
Grant Revenue	1,000	45,596	46,596
Miscellaneous	<u>80,103</u>	<u>84,941</u>	<u>165,044</u>
Total Operating Revenue	<u>2,622,021</u>	<u>1,053,988</u>	<u>3,676,009</u>
Operating Expenses			
Source of Supply	77,075	-	77,075
Purification	95,882	-	95,882
Pumping	313,894	-	313,894
Distribution	430,194	-	430,194
Meter Installation	14,422	-	14,422
Collection System	-	739,614	739,614
Administrative	<u>1,336,341</u>	<u>364,863</u>	<u>1,701,204</u>
Total Operating Expenses	<u>2,267,808</u>	<u>1,104,477</u>	<u>3,372,285</u>
Operating Income (Loss)	<u>354,213</u>	<u>(50,489)</u>	<u>303,724</u>
Nonoperating Revenue (Expense)			
Interest Income	8,744	2,533	11,277
Debt Service Expense	<u>(72,243)</u>	<u>-</u>	<u>(72,243)</u>
Total Nonoperating Revenue (Expense)	<u>(63,499)</u>	<u>2,533</u>	<u>(60,966)</u>
Change in Net Position	290,714	(47,956)	242,758
Net Position - Beginning of Year	<u>6,485,627</u>	<u>594,881</u>	<u>7,080,508</u>
Net Position - End of Year	<u>\$ 6,776,341</u>	<u>\$ 546,925</u>	<u>\$ 7,323,266</u>

See accompanying Notes to Financial Statements.

BOROUGH OF AMBLER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2017

	Water Fund	Sewer Fund	Total
Cash Flows Operating Activities			
Receipts from Customers and Users	\$ 2,340,903	\$ 939,084	\$ 3,279,987
Receipts from Others	446,988	130,537	577,525
Payments to Suppliers and Vendors	(1,160,432)	(743,139)	(1,903,571)
Payments to Employees	<u>(543,924)</u>	<u>(149,483)</u>	<u>(693,407)</u>
Net Cash Provided by Operating Activities	<u>1,083,535</u>	<u>176,999</u>	<u>1,260,534</u>
Cash Flows from Non-Capital Financing Activities			
Operating Interfund Advances, Net	<u>(43,317)</u>	<u>26,133</u>	<u>(17,184)</u>
Net Cash Used in Non-Capital Financing Activities	<u>(43,317)</u>	<u>26,133</u>	<u>(17,184)</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition and Construction of Capital Assets	(390,303)	(107,748)	(498,051)
Repayment of Capital Lease	(31,632)	-	(31,632)
Principal Paid on General Obligation Bonds	(248,000)	-	(248,000)
Debt Issuance	367,902	-	367,902
Interest Paid on General Obligation Bonds	<u>(70,724)</u>	<u>-</u>	<u>(70,724)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(372,757)</u>	<u>(107,748)</u>	<u>(480,505)</u>
Cash Flows from Investing Activities			
Reinvested Interest on Investment	<u>8,744</u>	<u>2,533</u>	<u>11,277</u>
Net Increase in Cash and Cash Equivalents	676,205	97,917	774,122
Cash and Cash Equivalents - Beginning of Year	<u>862,056</u>	<u>418,394</u>	<u>1,280,450</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,538,261</u>	<u>\$ 516,311</u>	<u>\$ 2,054,572</u>

See accompanying Notes to Financial Statements.

BOROUGH OF AMBLER
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2017

	Water Fund	Sewer Fund	Total
Reconciliation of Operating Income To			
Net Cash Provided By Operating Activities			
Operating Income	\$ 354,213	\$ (50,489)	\$ 303,724
Adjustments to Reconcile Operating Income			
to Net Cash Provided by Operating Activities:			
Depreciation Expense	342,979	7,507	350,486
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	165,900	15,631	181,531
Decrease in Inventory	6,128	-	6,128
Increase in Accounts Payable	114,122	179,238	293,360
Increase in Accrued Expense	100,193	30	100,223
Decrease in Other Assets	-	25,082	25,082
Total Adjustments	729,322	227,488	956,810
Net Cash Provided by Operating Activities	\$ 1,083,535	\$ 176,999	\$ 1,260,534

See accompanying Notes to Financial Statements.

BOROUGH OF AMBLER
STATEMENT OF PLAN NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2017

Assets	
Cash and Cash Equivalents	\$ 77,049
Accrued Income	26,481
Investments	
Stocks, at Fair Value	6,233,880
Mutual Funds, at Fair Value	<u>9,120,794</u>
 Total Assets	 \$ <u>15,458,204</u>
 Net Position Restricted for Pensions	 \$ <u>15,458,204</u>

See accompanying Notes to Financial Statements.

BOROUGH OF AMBLER
SCHEDULE OF CHANGES IN PLAN NET POSITION
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2017

Additions	
Contributions:	
Plan Members	\$ 37,765
Employer	<u>-</u>
Total Contributions	<u>37,765</u>
Investment Earnings:	
Net Appreciation in Fair Value of Investments	1,657,996
Interest and Dividends	<u>293,288</u>
Total Investment Earnings	1,951,284
Less Investment Expense	<u>(92,150)</u>
Net Investment Earnings	<u>1,859,134</u>
Total Additions	<u>1,896,899</u>
Deductions	
Benefits	494,561
Administration and Other	<u>99,330</u>
Total Deductions	<u>593,891</u>
Change in Net Position	1,303,008
Net Position Held in Trust for Pension Benefits	
Net Position - Beginning of Year	<u>14,155,196</u>
Net Position - End of Year	<u>\$ 15,458,204</u>

See accompanying Notes to Financial Statements.

BOROUGH OF AMBLER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Borough's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2017. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations) and Implementation Guide.

A. Financial Reporting Entity

The Borough of Ambler ("Borough") was incorporated in 1888 under the laws of the Commonwealth of Pennsylvania. The Borough operates under a council-mayor form of government in accordance with the Pennsylvania Borough Code.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the primary government and its component units. Based on the criteria set forth by GASB, the Borough has determined that there are no organizations or agencies which qualify as component units which should be included in these financial statements. These statements include the financial activities of the overall Borough government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

In the government-wide statement of net position, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Borough's net position is reported in three parts: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position. The Borough first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of each function of the Borough's governmental activities and different business-type activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges for services paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

The fund financial statements provide information about the Borough's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

BOROUGH OF AMBLER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods. The principal operating revenues of the Borough's proprietary funds are charges to customers for services. Operating expenses include the cost of providing services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Borough reports the following major governmental funds:

The General Fund is the general operating fund of the Borough and accounts for all revenues and expenditures of the Borough not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to other funds are accounted for in this fund. General operating expenditures and capital improvement costs not paid through other funds are paid from the General Fund. The primary sources of revenues are from property taxes and earned income taxes.

The Refuse Fund is used to account for revenues and expenses related to refuse collection.

Additionally, the Borough reports the following fund types: (special revenue funds, capital project funds and debt service funds which are included as nonmajor funds in Other Governmental Funds).

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Street Lighting Fund, Recreation Fund, Fire Fund, Liquid Fuels, Refuse Fund and the Revolving Loan Fund are classified as special revenue funds.

Debt Service Fund is used to account for the servicing of general long-term debt not being financed by proprietary funds.

Proprietary Funds consist of the Water and Sewer Funds. Such funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of Borough management is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges and where management has decided that periodic determination of revenue earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Funds are used to account for assets held by the Borough in a trustee capacity. The pension trust funds account for the assets of the government's police and municipal (non-uniform) employees pension plans.

BOROUGH OF AMBLER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The Borough of Ambler considers all revenues to be available if they are collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. Acquisition of capital assets is recorded as expenditures.

When both restricted and unrestricted resources are available for use, it is the Borough's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgets and Budgetary Accounting

Budgets are prepared on the same basis of accounting as the financial statements. Each fall, the Borough Council adopts an annual budget for the following year for the General, Proprietary and certain Special Revenue Funds as set forth in the Borough code. Legal budgetary control is at the fund level. The accompanying statements of revenues, expenditures and changes in fund balance budget and actual – general fund and highway fund are included in required supplementary information.

Interfund transfers not approved in the budget must be approved by Council motion in accordance with the Borough Code.

Budgeted amounts are reported as originally adopted. Unexpended budget amounts lapse at the end of the year. The Council may take specific action to commit or assign fund equity.

E. Assets, Liabilities, and Net Position or Fund Balance

1. *Cash and Cash Equivalents*

Bank accounts, certificates of deposits and investment in the Pennsylvania Local Government Investment Trust are all highly liquid investments and are considered to be cash and cash equivalents as presented on the statement of net position, balance sheet and statement of cash flows.

2. *Receivables and Payables*

During the course of operations numerous transactions occur between funds for goods or services, which require reimbursement. Amounts unpaid at the end of the year are reflected as due to / due from other funds. Long term interfund loans expected to be paid back within a defined time period are reflected as advances to / advance from other funds.

Taxes receivable reflect amounts receivable for real estate, earned income, local services and transfer taxes collected by the tax collector for 2017 and remitted to the Borough after year end.

BOROUGH OF AMBLER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, and Net Position or Equity (Continued)

3. *Inventories*

The Borough does not maintain accounting records relating to the minor cost of materials and supplies inventories, other than those in the Water Fund. Accordingly, such items are not included in the financial statements. Water Fund inventories are recorded at market. The Water Fund inventory includes small parts used for repairs and maintenance.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Other Improvements	25-75
Site Improvement	25-75
Infrastructure	25-75
Machinery, Vehicles, Furniture and Equipment	3-15

5. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

BOROUGH OF AMBLER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, and Net Position or Equity (Continued)

6. *Long-Term Obligation*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issues is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. *Net Position*

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds. The Borough applies restricted resources when an expense is incurred for purposes for which restricted net position are available.

8. *Fund Balance*

The Borough follows GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*. This statement provides defined fund balance categories to make the nature and extent of the constraints placed upon a government's fund balance more transparent. Fund balances of the government funds are classified as follows:

Non-Spendable – Amounts that cannot be spent because of their form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – Amounts that can be used only for specific purposes determined by a formal action of the Borough Council. The Council is the highest decision making authority of the Borough. Commitments may be established, modified or rescinded only through ordinances or resolutions approved by the Borough Council.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned – Residual net resources.

The Borough typically uses restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

BOROUGH OF AMBLER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Revenues, Expenditures and Expenses

Tax revenues – General Fund property taxes and earned income taxes collected within sixty days subsequent to December 31 are recognized as revenue, if material and they apply to the prior year.

Real estate property tax – Real estate property taxes attach as an enforceable lien on property on January 1. Taxes are billed March 1 and payable under the following terms: a 2% discount March 1 through April 30; face amount May through June 30; and a 10% penalty after June 30. The Borough elects a tax collector to collect the property tax levied. The tax collector remits Borough taxes at least monthly and is paid a salary.

Transfers and dividends – Operating transfers between governmental and nongovernmental fund types are reported as other financing sources (uses) within those funds.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 DEPOSITS AND INVESTMENTS

Pennsylvania statutes provide for investment of municipal funds into certain authorized investment types including U.S Treasury bills, other short-term U.S. and Pennsylvania government obligations, and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes. The Borough may also place deposits that are insured by the Federal Deposit Insurance Corporation ("FDIC") and deposits that are collateralized on an individual or on a pooled basis in accordance with Act No. 72 of the Commonwealth of Pennsylvania, August 6, 1971.

The deposit and investment policy of the Borough adheres to state statutes and prudent business practice. Deposits of the Borough are either maintained in demand deposits, highly liquid money market funds or pooled for investment purposes in the Pennsylvania Local Government Investment Trust (PLGIT) and are captioned as "cash and cash equivalents" in the balance sheet and statement of net position. The deposits and investments of the fiduciary funds are administered by trustees and are held separately from those of other municipal funds. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the Borough.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Borough's deposits may not be returned to it. The Borough does not have a deposit policy for custodial credit risk. As of December 31, 2017, the Borough's cash balances were exposed to custodial credit risk as follows:

BOROUGH OF AMBLER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits (Continued)

Insured by FDIC	\$ 250,000
Collateralized	-
Uninsured and Collateral Held by the Pledging Bank's Trust Department not in the Government's Name	<u>6,001,844</u>
Total	<u>\$ 6,251,844</u>

Reconciliation to the Financial Statements

Uninsured Amount Above	\$ 6,001,844
Plus: Insured Amount	250,000
Less: Outstanding Checks	(298,284)
Plus: Deposits in Transit	1,902
Other Reconciling Items	-
Carrying Amount - Bank Balances	<u>5,955,462</u>
Plus: Petty Cash	<u>1,438</u>
Total Cash per Financial Statements	<u>\$ 5,956,900</u>

The Borough's cash balance includes \$263,672 of restricted escrow deposits. These monies are held by the Borough in a custodial capacity for developers.

NOTE 3 ACCOUNTS RECEIVABLE

Following is a summary of receivables at December 31, 2017:

	Governmental Funds				Proprietary Funds		
	General Fund	Refuse Fund	Other Governmental Funds	Total	Water Fund	Sewer Fund	Total
Refuse Fees	\$ -	\$ 48,407	\$ -	\$ 48,407	\$ -	\$ -	\$ -
Utility User Fees	1,182	-	-	1,182	253,421	38,517	291,938
Mortgage Receivable	-	-	310,000	310,000	-	-	-
Less: Allowance for Doubtful Accounts	-	(2,000)	-	(2,000)	(22,139)	(5,000)	(27,139)
Total	1,182	46,407	310,000	357,589	231,282	33,517	264,799
Other Billings and Receivables	-	-	-	-	-	-	-
Net Accounts Receivable	<u>\$ 1,182</u>	<u>\$ 46,407</u>	<u>\$ 310,000</u>	<u>\$ 357,589</u>	<u>\$ 231,282</u>	<u>\$ 33,517</u>	<u>\$ 264,799</u>

BOROUGH OF AMBLER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 4 PROPERTY AND EQUIPMENT

Governmental Activities capital assets consist of the following at December 31, 2017:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,572,067	\$ -	\$ -	\$ 1,572,067
Construction in Progress	497,687	46,800	-	544,487
Total Capital Assets, Not Being Depreciated	2,069,754	46,800	-	2,116,554
Capital Assets, Depreciated:				
Buildings and Other Improvements	6,190,001	-	-	6,190,001
Site Improvements	286,398	6,193	-	292,591
Machinery, Vehicles, Furniture and Equipment	935,474	87,000	23,000	999,474
Infrastructure	3,012,205	308,032	-	3,320,237
Total Capital Assets, Being Depreciated	10,424,078	401,225	23,000	10,802,303
Accumulated Depreciation for:				
Buildings and Other Improvements	850,887	20,295	-	871,182
Site Improvements	119,409	16,633	-	136,042
Machinery, Vehicles, Furniture and Equipment	665,518	49,345	23,000	691,863
Infrastructure	627,016	147,001	-	774,017
Total Accumulated Depreciation	2,262,830	233,274	23,000	2,473,104
Total Capital Assets, Being Depreciated, Net	8,161,248	167,951	-	8,329,199
Governmental Activities Capital Assets, Net	\$ 10,231,002	\$ 214,751	\$ -	\$ 10,445,753

Business-Type Activities capital assets consist of the following at December 31, 2017:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,328	\$ -	\$ -	\$ 2,328
Construction in Progress	29,277	-	16,365	12,912
Total Capital Assets, Not Being Depreciated	31,605	-	16,365	15,240
Capital Assets, Being Depreciated				
Infrastructure	6,449	122,169	-	128,618
Buildings and Other Improvements	822,749	-	-	822,749
Machinery, Vehicles, Furniture and Equipment	1,397,437	11,195	16,263	1,392,369
Plant in Service	13,269,627	411,737	-	13,681,364
Total Capital Assets, Being Depreciated	15,496,262	545,101	16,263	16,025,100
Accumulated Depreciation for:				
Infrastructure	380	1,480	-	1,860
Buildings and Other Improvements	486,625	22,863	-	509,488
Machinery, Vehicles, Furniture and Equipment	1,133,353	42,780	16,263	1,159,870
Plant in Service	5,805,039	299,624	-	6,104,663
Total Accumulated Depreciation	7,425,397	366,747	16,263	7,775,881
Total Capital Assets, Being Depreciated, Net	8,070,865	178,354	-	8,249,219
Business-Type Activities Capital Assets, Net	\$ 8,102,470	\$ 178,354	\$ 16,365	\$ 8,264,459

BOROUGH OF AMBLER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 5 CAPITAL LEASE OBLIGATIONS

The Borough acquired several pieces of equipment under the provisions of long term leases. For financial reporting purposes, minimum lease payments relating to the leases have been capitalized.

The cost and depreciation under the capital leases are as follows:

	Amount
Cost	\$ 236,241
Accumulated Depreciation	<u>34,149</u>
Total	<u>\$ 202,092</u>

The future minimum lease payments under the capital lease and the net present value of future minimum capital lease payments at December 31, 2017 are as follows:

<u>Year Ending December 31,</u>	Amount
2018	\$ 75,833
2019	<u>27,600</u>
Total Minimum Lease Payments	103,433
Less: Amount of Representing Interest	<u>7,023</u>
Present Value of Minimum Lease Payments	<u>\$ 96,410</u>

NOTE 6 LONG-TERM DEBT

On October 15, 2009, the Borough issued \$3,455,000 of General Obligation Bonds, Series of 2009, as fully registered bonds in the denominations of \$5,000 each. The proceeds of the bonds were to be used for (1) the current refunding of the Borough's General Obligation Bonds, Series of 2003; (2) certain capital improvements to the water system serving the Borough and surrounding municipalities; and (3) the payment of the costs and expenses incurred in connection with the issuance of the Bonds.

The Series of 2009 Bonds were currently refunded by the issuance of the General Obligation Note Series of 2015. The Series of 2015 Note also provides funds for capital projects related to the Borough's water system. The Note was issued in the amount of \$3,505,000 and is being utilized on a draw down basis. During 2017, \$367,902 of the Note was drawn down for capital projects. The Note carries a variable interest rate, the initial rate is 2.37% and may not exceed 4.50%, and payments in amounts ranging from \$132,000 to \$319,000 are due annually through 2028.

On December 20, 2013, the Borough issued a \$1,890,000 General Obligation Term Note. The proceeds of the note were used for the purchase of a building. In addition, a \$1,700,000 General Obligation Line of Credit Loan Note was issued for the renovations of the building in 2015. In 2016, the Borough paid off the 2013 and the 2015 Line of Credit with the issuance of the Series 2016 Bonds in the amount of \$3,645,000.

The General Obligation Term Notes and Bonds are direct obligations of the Borough.

Interest is payable semiannually commencing June 15, 2015. The interest rates on the bonds vary from 3% to 4%.

BOROUGH OF AMBLER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 6 LONG-TERM DEBT (CONTINUED)

The following is a schedule of aggregate principal and interest payments for each of the next five years and each five-year period thereafter for the 2015 General Obligation Note:

Year Ending December 31,	Principal	Interest	Total
2018	\$ 253,000	\$ 71,064	\$ 324,064
2019	260,000	64,985	324,985
2020	265,000	58,764	323,764
2021	273,000	52,389	325,389
2022	278,000	45,860	323,860
2023-2027	1,477,000	149,398	1,626,398
2028	<u>314,000</u>	<u>6,779</u>	<u>320,779</u>
Total	<u>\$ 3,120,000</u>	<u>\$ 449,240</u>	<u>\$ 3,569,240</u>

The following is a schedule of aggregate principal and interest payments for each of the next five years and each five-year period thereafter for the 2016 General Obligation Bonds:

Year Ending December 31,	Principal	Interest	Total
2018	\$ 90,000	\$ 116,365	\$ 206,365
2019	90,000	112,765	202,765
2020	95,000	109,065	204,065
2021	100,000	105,165	205,165
2022	100,000	101,665	201,665
2023-2027	560,000	459,875	1,019,875
2028-2032	655,000	368,559	1,023,559
2033-2037	770,000	256,083	1,026,083
2038-2042	900,000	116,097	1,016,097
2043	<u>230,131</u>	<u>3,500</u>	<u>233,631</u>
Total	<u>\$ 3,590,131</u>	<u>\$ 1,749,139</u>	<u>\$ 5,339,270</u>

BOROUGH OF AMBLER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 6 LONG-TERM DEBT (CONTINUED)

Changes in Long-Term Debt:

Long-term debt activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Series 2016 Bonds	\$ 3,675,131	\$ -	\$ 85,000	\$ 3,590,131	\$ 90,000
Capital Leases	37,191	78,102	52,273	63,020	37,017
Governmental Activity Long-Term Debt	<u>\$ 3,712,322</u>	<u>\$ 78,102</u>	<u>\$ 137,273</u>	<u>\$ 3,653,151</u>	<u>\$ 127,017</u>
Business-Type Activities:					
Series 2015 Note	3,000,098	367,902	248,000	3,120,000	253,000
Capital Leases	65,022	-	31,632	33,390	33,390
Business -Type Activity Long-Term Debt	<u>\$ 3,065,120</u>	<u>\$ 367,902</u>	<u>\$ 279,632</u>	<u>\$ 3,153,390</u>	<u>\$ 286,390</u>

NOTE 7 JOINT VENTURE

The Borough is one of five participating municipalities in the Ambler Waste Water Treatment Plant, which provides sewage treatment services to its members. The Borough of Ambler is the plant administrator.

The cost of operating and maintaining the Treatment Plant including the costs of administrative expenses and record keeping are shared by each municipality in proportion to the resident population equivalents of the units connected to the representative collection system. The annual operating fee varies each year based on the budget and usage. The Borough's operating fee paid to the Treatment Plant by the Sewer Fund amounted to \$544,647 in 2017.

The participant's share of capital improvements and additions is based on each municipality's purchased capacity as per a 1959 agreement and its subsequent amendments. The current rates in effect were fixed as of 1978. The Borough's capital contribution paid by the Sewer Fund to the Treatment Plant amounted to \$162,990 in 2017.

The Treatment Plant reimburses the Borough of Ambler for administrative costs related to plant operations. An administrative fee of \$238,616 was recognized as revenue for the year ended December 31, 2017.

Separate financial statements for the Treatment Plant are prepared and available.

BOROUGH OF AMBLER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 8 INTERFUND PAYABLE AND RECEIVABLE

The composition of interfund balances for the fund financial statements as of December 31, 2017, is as follows:

	Due From <u>Other Funds</u>	Due To <u>Other Funds</u>
General Fund	\$ 10,607	\$ 2,196
Street Lights	28	-
Fire Fund	-	10,607
Refuse Fund	7,406	-
Parks and Recreation	52	-
Water Fund	2,116	25,340
Sewer Fund	<u>17,934</u>	<u>-</u>
Total	<u>\$ 38,143</u>	<u>\$ 38,143</u>

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds".

NOTE 9 EARNED INCOME TAX

Earned income tax was levied at a rate of one percent of gross wages for all individuals living or working in the Borough of Ambler in 2017. The Borough is entitled to 50% of the tax collected and the Wissahickon School District is entitled to the other 50% of the tax receipts. Earned income tax revenue recognized by the Borough for the year ended December 31, 2017 amounted to \$966,079.

NOTE 10 RISK MANAGEMENT

The Borough is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Accordingly, the Borough has entered into a participation agreement with certain surrounding municipalities in Montgomery and Bucks Counties, Pennsylvania to form the Delaware Valley Insurance Trust (Trust). The Trust has created a self insurance pool to offer coverage to eligible municipalities. The Borough is participating in the Trust insurance coverage.

For the pool coverage there is a total risk and cost sharing for all participants. Liabilities in excess of assets of the Trust may be assessed to participating members. Specific excess insurance is provided to protect against catastrophic losses.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from the previous year in the Borough's insurance policies.

NOTE 11 COMMITMENTS

In December 2010, the Borough entered into a contract for refuse, dumpster, and yard waste services over a five-year period. The contract was extended until September 30, 2020, at a cost of approximately \$25,806 per month.

BOROUGH OF AMBLER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 12 CONTINGENT LIABILITIES

The Borough is involved in certain legal matters through the normal course of business. It is not presently possible to determine the ultimate outcome or settlement cost, if any, of these matters. Management believes that any liability that may result from the resolution of these matters will not have a material adverse effect on the accompanying financial statements and, accordingly, no provision has been recorded.

NOTE 13 PENSION PLANS

The most recent biannual actuarial valuations were prepared as of January 1, 2015.

MUNICIPAL EMPLOYEES (NON-UNIFORMED) DEFINED BENEFIT PENSION PLAN

A. Plan Description:

The plan is a single employer defined benefit plan administered by the Borough of Ambler. The authority to establish and amend benefit provisions rests with the Borough of Ambler Council. Covered employees are full-time non-uniform employees that were hired prior to January 1, 2014. The normal retirement benefit is the greater of 25% of average monthly salary paid to such employee during three calendar years of highest earnings ending with December 31st on or next preceding his or her 65th birthday, reduced by 1/15 for each full year of service by which the employee's service at retirement is less than fifteen years, and is 40% of the average monthly salary paid to such employee during the three calendar years of highest earnings ending with the December 31st on or next preceding his or her 65th birthday, reduced by 1/25 for each full year of service by which the employee's service at retirement is less than twenty five years. A member is eligible for normal retirement on the last day of the month in which the member's 65th birthday occurs. There are 29 active employees currently covered. There are eight persons receiving benefits.

Early retirement is provided for upon the attainment of age 55 and at least 25 years of service. Ten years of service are required for vesting. If a member dies before the 60 monthly payments have been received, the remainder of the 60 months will automatically continue to the member's beneficiary. The funds are invested primarily in stocks and mutual funds.

All full time non-uniform employees hired after January 1, 2014 will be enrolled in a defined contribution plan as described in Note 14.

B. Summary of Significant Accounting Policies:

Basis of Accounting

The plan's policy is to prepare its financial statements on the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

BOROUGH OF AMBLER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 13 PENSION PLANS (CONTINUED)

MUNICIPAL EMPLOYEES (NON-UNIFORMED) DEFINED BENEFIT PENSION PLAN (CONTINUED)

Valuation of Investments

Investments are reported at fair value. Quoted market prices are used to value investments. Shares of mutual funds are valued at the net asset value of shares held by the plan at year end. Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date.

Risks and Uncertainties

The plan provides for investment in a variety of investment funds. In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of plan net position.

C. Funding Policy and Contributions

The plan is funded by member contributions, funds paid by the Commonwealth of Pennsylvania and by Borough contributions, if required.

Employees are required to contribute 3% of compensation to the plan. Employee contributions amounted to \$37,765 for the year ended December 31, 2017.

D. Cash and Cash Equivalents

Custodial credit risk is the risk that in the event of a bank failure, the Borough's deposits may not be returned to it. The Borough does not have a deposit policy for custodial credit risk. The law provides that the Borough's Pension Trust funds may invest in any form or type of investment, financial instrument, or financial transaction if determined by the Borough to be prudent. As of December 31, 2017, the Borough's pension cash and cash equivalents were not exposed to custodial credit risk since the balance is covered by FDIC insurance.

E. Investments

As of December 31, 2017, the Borough had the following pension plan investments:

	Fair Value
Money Market Fund	\$ 68,314
Accrued Income	2,316
Domestic Equities	2,298,153
Mutual Funds	<u>3,237,644</u>
Total Investments	<u>\$ 5,606,427</u>

As of December 31, 2017, none of the Borough's pension plan investments are rated.

BOROUGH OF AMBLER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 13 PENSION PLANS (CONTINUED)

MUNICIPAL EMPLOYEES (NON-UNIFORMED) DEFINED BENEFIT PENSION PLAN (CONTINUED)

F. Investment Concentration

Total plan net position as of December 31, 2017 amounted to \$5,606,427. Five percent of total plan assets amounted to \$280,321 as of December 31, 2017. The following funds represent 5% or more of the total net plan assets at December 31:

Investments	Amount	Percent of Total
Sanford C. Bernstein AB Mutual Funds	\$ 318,435	6.11%
Univest Special Money Market Fund	2,228,044	42.74%

G. Actuarial Assumptions

The information presented in the required supplementary schedules was determined as part of the biennial actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	January 1, 2015
Actuarial cost method	Normal entry age actuarial cost method (a)
Asset Valuation method	Market Value
Actuarial assumptions	
Investment rate of return	6.75% per annum, compounded annually
Projected salary increases	3.75% per annum, compounded annually

- (a) Under the normal entry age actuarial cost method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated on a level basis over the compensation of the individual between entry age and assumed exit age.
- (b) There are no significant factors that would distort the evaluation of trends for amounts presented in the two required supplementary schedules.

BOROUGH OF AMBLER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 13 PENSION PLANS (CONTINUED)

MUNICIPAL POLICE DEFINED BENEFIT PENSION PLAN

A. Plan Description

The plan is a single employer defined benefit plan administered by the Borough of Ambler. The plan provides retirement disability and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the Borough of Ambler Council.

The plan's normal retirement is age 50 with 25 years of service. Twelve years of service is required for vesting. The normal retirement benefit is life income consisting of one-half of the member's average salary for the last 36 months plus \$100 per month for each year of service in excess of 25 years up to a maximum of 30 years of service, or \$500 per month including any social security from police service and any pension from a previous fund. Retirement is mandatory at age 70. The plan allows members to retire with a reduced benefit after 20 years of service. The amount of early retirement pension is the actuarial equivalent of the normal retirement benefit reduced by service at retirement over expected service at normal retirement.

If an officer is killed in the line of duty, then 100% of the salary is payable to the surviving spouse or children, if no spouse.

A survivor benefit of 50% of the member's pension is provided to the survivor spouse or children under 18.

The plan also provides a disability benefit. Upon total and permanent disability, a member will receive 75 percent of the monthly salary rate effective at the time of applying for disability benefits, offset by benefits under workers compensation, until normal retirement, at which time the employee receives their retirement benefit.

After each anniversary of retirement, the retirement benefit is adjusted annually to reflect the cost of living change in the preceding calendar year, based upon the increase in the Consumer Price Index of the U.S. Department of Labor for the Philadelphia area.

Covered employees are full-time police officers.

Number of covered active employees	12
Number of persons receiving benefits	10
Terminated employees vested, but not receiving benefits	1

B. Summary of Significant Accounting Policies:

Basis of Accounting

The plan's policy is to prepare its financial statements on the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

BOROUGH OF AMBLER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 13 PENSION PLANS (CONTINUED)

MUNICIPAL POLICE DEFINED BENEFIT PENSION PLAN (CONTINUED)

Valuation of Investments

Investments, which consist primarily of common stock and mutual funds, are reported at fair value. Quoted market prices are used to value investments. Shares of mutual funds are valued at the net asset value of shares held by the plan at year end.

Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date.

Administrative Expenses

The plan pays the administrative expenses.

Risks and Uncertainties

The plan provides for investment in a variety of investment funds. In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of plan net position.

C. Funding Policy and Contributions

The plan is funded from contributions by all full time police officers, funds paid by the Commonwealth of Pennsylvania and by Borough contributions, if required.

Members were required to contribute at least five percent of compensation to the plan, but not more than 8%. Effective September 20, 2000 for any year in which it is determined by an actuarial valuation report prepared in accordance with the Municipal Plan Funding Standard and Recovery Act (Act 205) that the plan has a balance that is twenty-five percent (25%) in excess of the minimum amount needed to declare it actuarially sound, then the Borough Council could, on an annual basis by ordinance or resolution, reduce or eliminate payments into the pension fund by plan members. When required by the actuary in accordance with any such report, funding must resume as necessary to keep the balance at or over 25% in excess of the minimum needed for actuarial soundness, but member contributions will in such event remain within the parameters set forth above.

There were no employee contributions for the year ended December 31, 2017.

BOROUGH OF AMBLER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 13 PENSION PLANS (CONTINUED)

MUNICIPAL POLICE DEFINED BENEFIT PENSION PLAN (CONTINUED)

D. Cash and Cash Equivalents

Custodial credit risk is the risk that in the event of a bank failure, the Borough's deposits may not be returned to it. The Borough does not have a deposit policy for custodial credit risk. The law provides that the Borough's Pension Trust funds may invest in any form or type of investment, financial instrument, or financial transaction if determined by the Borough to be prudent. As of December 31, 2017, the Borough's pension plan cash and cash equivalents were not exposed to custodial credit risk since the balance is covered by FDIC insurance.

E. Investments

As of December 31, 2017, the plan had the following investments:

	Fair Market Value
Money Market Fund	\$ 8,736
Accrued Income	24,165
Domestic Equities	3,935,726
Mutual Funds	5,883,150
Total Investments	<u>\$ 9,851,777</u>

F. Investment Concentration

Total plan net position as of December 31, 2017 amounted to \$9,851,777. Five percent of total plan assets amounted to \$492,589.

The following funds represent 5% or more of the total plan assets at December 31:

Investments	Amount	Percent of Total
Sanford C. Bernstein International Portfolio	\$ 544,680	6.10%
Univest Special Money Market Fund	3,463,493	38.77%

G. Actuarial Assumptions

The information presented in the required supplementary schedules was determined as part of the biennial actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	January 1, 2015
Actuarial cost method	Normal entry age actuarial cost method (a)
Asset valuation method	Market Value
Actuarial assumptions	
Investment rate of return	6.75% per annum, compounded annually
Projected salary increases	4.25% per annum, compounded annually

(a) Under the normal entry age actuarial cost method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated on a level basis over the compensation of the individual between entry age and assumed exit age.

(b) There are no significant factors that would distort the evaluation of trends for amounts presented in the two required supplementary schedules.

BOROUGH OF AMBLER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 13 PENSION PLANS (CONTINUED)

GASB STATEMENTS NO. 67 and NO. 68 – FINANCIAL REPORTING FOR PENSION PLANS

The Borough has adopted GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25* in 2014 and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* in 2015. These Statements enhance the Borough's accounting and footnote disclosures and expand the Required Supplemental Information (RSI) data with new schedules. The Statements were issued to improve financial reporting by state and local government pension plans. The following provides information required to be disclosed under Statements No. 67 and 68 for both plans.

Plan Administration

Management of the Police Pension and Non-Uniform Plans is overseen by a Pension Committee under Ordinance 851. Per the Plan Document, the Pension Committee is comprised of nine members of Borough Council and a full time member of the Ambler Borough Police department. The duly appointed Borough Manager is designated as the chief administrative officer who has the discretion and authority to interpret the plan and to determine the eligibility and benefits of Participants and beneficiaries pursuant to the provisions of the plans. The Committee meets annually with the investment advisor to review the plan earning and investment policies. Management of the plan is overseen by Ambler Borough Council; however, Borough Council may delegate the following responsibilities:

- A) Council may appoint a subcommittee to review the performance of the investment manager and to review the Funds' compliance with ACT 205.
- B) Council may assign the daily administrative operations of the Fund to the Borough Manager.
- C) Council may appoint a corporate trustee.
- D) Council may delegate other responsibilities as it deems appropriate.

Investment Policy

The Pension Fund Board is responsible for administering the investment policies of the plans and providing oversight for the management of the plans' assets. The investment strategy of the plans is to emphasize total return (defined as the aggregate return from capital appreciation and dividend and interest income). The investment policy requires that all plan assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the plan, with minimal impact on market price. The following was the plans' adopted asset allocation policy as of December 31, 2017:

<u>Asset Category</u>	<u>Target Asset</u>
	Allocation exposure
Return-Seeking Assets	60%
Risk-Mitigating Assets	40%
Diversifying Assets	<u>0%</u>
	<u>100%</u>

BOROUGH OF AMBLER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 13 PENSION PLANS (CONTINUED)

GASB STATEMENTS NO. 67 and NO. 68 – FINANCIAL REPORTING FOR PENSION PLANS
(CONTINUED)

Net Pension (Asset) Liability

The net pension (asset) liability of the plans for measurement date December 31, 2017, were as follows:

	Non-Uniform Pension Plan	Police Pension Plan
Total Pension Liability	\$ 5,012,308	\$ 8,515,918
Plan Fiduciary Net Position	(5,606,427)	(9,851,777)
Net Pension Liability (Asset)	\$ (594,119)	\$ (1,335,859)

Method and assumptions used to determine Net Pension Liability (Asset) of the plans were as follows:

Police:

Valuation Date	January 1, 2015, projected to December 31, 2016
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, closed
Remaining Amortization	Zero
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	6.75%
Projected Salary Increases	4.25%, average, including inflation
Retirement age	Normal retirement age
General Inflation	3.00% per year
Mortality Rate	RP-2000 Mortality Table (Blue Collar) with Scale AA

Non-Uniformed:

Valuation Date	January 1, 2015, projected to December 31, 2016
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, closed
Remaining Amortization	Zero
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	6.75% per year compounded annually, net of investment expenses
Projected Salary Increases	3.75%, average, including inflation
Retirement age	Age 65 and 5 years of service, age 62 and 25 years of service, or attained age plus one year, if later.
General Inflation	3.00% per year
Mortality Rate	RP-2000 Mortality Table (Blue Collar) with 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 pension plan investment expense and 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 of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rate of return for each major asset class are included in the pension plan's target asset allocation of December 31, 2017.

The plans have not had an experience study completed.

BOROUGH OF AMBLER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 13 PENSION PLANS (CONTINUED)

GASB STATEMENTS NO. 67 and NO. 68 – FINANCIAL REPORTING FOR PENSION PLANS
(CONTINUED)

Asset Class	Estimated Long-Term Rates of Return
Cash and Cash Equivalents	2.0%
Domestic Equities	7.2%
Emerging Markets	6.0%
International Equities	7.9%
Fixed Income	4.1%

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flow to determine the discount rate assumed the contributions will be made at contractually required rates specified under Act 205. Act 205 requires full funding of the entry age normal cost plus plan expenses in addition to amortization of the unfunded liability to ultimately achieve a 100% funded status. Based on those assumptions, the pension plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability (asset) calculated using the discount rate of 6.75%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%), or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease -5.75%	Current Discount Rate -6.75%	1% Increase -7.75%
Net Pension Liability (Asset) - Non-Uniform Pension Plan	\$ (76,685)	\$ (594,119)	\$ (1,038,484)
Net Pension Liability (Asset) - Police Pension Plan	\$ (211,365)	\$ (1,335,859)	\$ (2,262,456)

Rate of Return on Investments

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, for plan year 2017 was -6.27%. The money-weighted rate of return expresses investment performance, net of expenses, adjusted for the changing amounts actually invested.

Deferred Outflows and Inflows of Resources

At December 31, 2017, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 855,768	\$ 828,381
Differences in assumptions	526,397	-
Differences in experience	-	463,299
Total	<u>\$1,382,165</u>	<u>\$1,291,680</u>

BOROUGH OF AMBLER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 13 PENSION PLANS (CONTINUED)

GASB STATEMENTS NO. 67 and NO. 68 – FINANCIAL REPORTING FOR PENSION PLANS
(CONTINUED)

Deferred Outflows and Inflows of Resources (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related pensions will be recognized in pension expense as follows:

<u>Year ended December 31,</u>	
2018	\$(171,882)
2019	(171,882)
2020	193,022
2021	187,316
2022	45,640
Thereafter	8,271

NOTE 14 NON-UNIFORMED DEFINED CONTRIBUTION PENSION PLAN

The Borough has a defined contribution plan covering all eligible employees hired subsequent to January 1, 2014. Employees may contribute to the plan between 3% and 5% of annual compensation. The Borough may contribute at a rate determined by the Borough Council at the beginning of each year. Borough employee members of the plan contributed \$37,765 in 2017. Plan contributions totaled \$0 from the Borough in 2017. These amounts are classified as payroll taxes and benefits within the functional expenses on the financial statements.

NOTE 15 POSTEMPLOYMENT BENEFITS

The Borough follows Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for postemployment health care benefits provided by the Borough. The accrued liability for benefits of \$4,215,944 at January 1, 2015, is amortized over thirty years as a level percent of pay based on the inflation portion of the salary scale only.

Plan Description

The Borough provides postemployment healthcare benefits, in accordance with Borough policies and collective bargaining agreements, for Police and Non-Uniform employees. The plan is a single-employer defined benefit plan. Separate financial statements are not issued for the plan.

For police, the Borough will provide medical coverage to retired officers and their spouses at age fifty and ending at sixty-five years of age for all full time police officers employed by the Borough as of December 31, 2008. For retired officers hired on or after January 1, 2009, the Borough shall provide only single coverage from age fifty to sixty-five years of age. Subsequent to January 1, 2009, if an officer remarries after divorce or the spouse's death, the new spouse shall not be provided with post-retirement medical benefits.

All full-time non-uniformed employees, who retire under the terms of the Non-Uniform Pension Plan, may not continue in the Borough's group health plan; therefore, the Borough has no postemployment healthcare liability for these individuals.

BOROUGH OF AMBLER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 15 POSTEMPLOYMENT BENEFITS (CONTINUED)

Funding Policy

The Borough has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. For the 2017 year, there were two retired participants. The Borough's cost, including implicit rate subsidy of \$17,738 has been applied toward the annual OPEB cost.

Annual OPEB Cost and Net OPEB Obligation

The Borough's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of December 31, 2017 was as follows:

Years Ended December 31,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 381,878	4.38%	\$ 1,906,831
2014	\$ 383,465	4.90%	\$ 2,271,518
2015	\$ 271,401	6.54%	\$ 2,525,181
2016	\$ 386,452	7.24%	\$ 2,883,658
2017	\$ 386,452	7.24%	\$ 3,242,135

The following table shows the Borough's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Borough's net OPEB obligation:

Normal Cost (Service Cost for One Year)	\$ 431,477
Change in Plan Assumptions	-
Annual Required Contribution (ARC)	431,477
Interest on Net OPEB Obligation	101,007
Adjustment to Annual Required Contribution	(146,032)
Annual OPEB Cost (Expense)	386,452
Contributions toward the OPEB Cost	(27,975)
Increase in Net OPEB Obligation	358,477
Net OPEB Obligation, Beginning of Year	2,883,658
Net OPEB Obligation, End of Year	\$ 3,242,135

The Borough's annual Other Postemployment Benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding, if paid on an ongoing basis, and is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

Funded Status and Funding Progress

As of January 1, 2015, the actuarial accrued liability for benefits was \$4,215,944, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$4,215,944. The covered payroll (annual payroll of active participating employees) was \$2,724,243, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 155 percent.

BOROUGH OF AMBLER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 15 POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Borough's OPEB actuarial valuation as of January 1, 2015, used the entry age normal actuarial cost method to estimate both the unfunded liability as of December 31, 2015 and to estimate the Borough's annual required contribution. This method was selected because it produced the best estimate of the OPEB liability and annual cost.

Because the OPEB liability is currently unfunded, the actuarial assumptions include a 4 percent rate of return on invested assets. The actuarial assumptions include an annual health care cost trend rate of 8% initially for the 2017 year, reduced by 1% per year to an ultimate rate of 5%. The unfunded actuarial liability is being amortized over 30 years as a level percent of pay based on the inflation portion of the salary scale only. The remaining amortization period at December 31, 2017 is 30 years.

NOTE 16 NEW ACCOUNTING PRONOUNCEMENTS

Adoption of Governmental Accounting Standards Board (GASB) Statements

The Borough adopted the provisions of GASB's Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans." The adoption of this statement had no effect on previously reported amounts.

The Borough adopted the provisions of GASB's Statement No. 80, "Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14." The adoption of this statement had no effect on previously reported amounts.

The Borough adopted the provisions of GASB's Statement No. 81, "Irrevocable Split-Interest Agreements." The adoption of this statement had no effect on previously reported amounts.

The Borough adopted the provisions of GASB's Statement No. 82, "Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73." The adoption of this statement had no effect on previously reported amounts.

BOROUGH OF AMBLER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 16 NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Pending Governmental Accounting Standards Board (GASB) Statements

The Government Accounting Standards Board has issued GASB's Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." This statement is required to be adopted by the Borough for the year ending December 31, 2018. The Borough has not determined the effect of GASB's Statement No. 75 on the financial statements.

The Government Accounting Standards Board has issued GASB's Statement No. 83, "Certain Asset Retirement Obligations." This statement is required to be adopted by the Borough for the year ending December 31, 2019. The Borough has not determined the effect of GASB's Statement No. 83 on the financial statements.

The Government Accounting Standards Board has issued GASB's Statement No. 84, "Fiduciary Activities." This statement is required to be adopted by the Borough for the year ending December 31, 2019. The Borough has not determined the effect of GASB's Statement No. 84 on the financial statements.

The Governmental Accounting Standards Board has issued GASB's Statement No. 85, "Omnibus 2017." This statement is required to be adopted by the Borough for year ending December 31, 2019. The Borough has not determined the effect of GASB's Statement No. 85 on the financial statements.

The Governmental Accounting Standards Board has issued GASB's Statement No. 86, "Certain Debt Extinguishment Issues" This statement is required to be adopted by the Borough for year ending December 31, 2018. The Borough has not determined the effect of GASB's Statement No. 86 on the financial statements.

The Governmental Accounting Standards Board has issued GASB's Statement No. 87, "Leases." This statement is required to be adopted by the Borough for year ending December 31, 2020. The Borough has not determined the effect of GASB's Statement No. 87 on the financial statements.

The Governmental Accounting Standards Board has issued GASB's Statement No. 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements." This statement is required to be adopted by the Borough for year ending December 31, 2019. The Borough has not determined the effect of GASB's Statement No. 88 on the financial statements.

NOTE 17 SUBSEQUENT EVENTS

The Borough has evaluated subsequent events for disclosure or recording through May 29, 2018, the date the audit was ready for release.

BOROUGH OF AMBLER
REQUIRED SUPPLEMENTARY INFORMATION –
PENSION PLANS – SCHEDULES OF CHANGES IN THE EMPLOYER'S
NET PENSION LIABILITY AND RELATED RATIOS CALCULATED IN ACCORDANCE
WITH GASB 68
DECEMBER 31, 2017
(UNAUDITED)

	Non-Uniform Pension Plan 2017	Police Pension Plan 2017	Non-Uniform Pension Plan 2016	Police Pension Plan 2016	Non-Uniform Pension Plan 2015	Police Pension Plan 2015
Total Pension Liability						
Service Cost	\$ 112,308	\$ 215,986	\$ 96,856	\$ 193,189	\$ 141,552	\$ 189,639
Interest	327,801	567,664	316,301	541,021	280,003	476,105
Benefit Payments	(221,842)	(263,271)	(221,658)	(348,029)	(80,689)	(238,114)
Difference Between Actual and Expected, if any	(60,890)	(329,953)	(36,479)	(18,823)	(31,150)	(8,523)
Assumption Changes	-	-	-	203,617	272,441	537,035
Net Change in Total Pension Liability	157,377	190,426	155,020	570,975	582,157	956,142
Total Pension Liability - Beginning	4,854,931	8,325,492	4,699,911	7,754,517	4,117,754	6,798,375
Total Pension Liability - Ending (a)	\$ 5,012,308	\$ 8,515,918	\$ 4,854,931	\$ 8,325,492	\$ 4,699,911	\$ 7,754,517
Plan Fiduciary Net Position						
Contribution - Employer and State Aid	\$ -	\$ -	\$ 17,213	\$ -	\$ 50,699	\$ 31,499
Contribution - Member	37,765	-	43,835	-	46,764	-
Net Investment Income	615,455	1,263,839	385,800	648,519	(109,802)	(609,254)
Benefit Payments	(221,842)	(263,271)	(221,658)	(348,029)	(80,689)	(238,114)
Administrative Expense	(41,038)	(87,900)	(25,651)	(64,075)	(27,492)	(72,210)
Other	-	-	-	14,826	7,634	(7,634)
Net Change in Plan Fiduciary Net Position	390,340	912,668	199,539	251,241	(112,886)	(895,713)
Plan Fiduciary Net Position - Beginning	5,216,087	8,939,109	5,016,548	8,687,868	5,129,434	9,583,581
Plan Fiduciary Net Position - End (b)	\$ 5,606,427	\$ 9,851,777	\$ 5,216,087	\$ 8,939,109	\$ 5,016,548	\$ 8,687,868
Net Pension Liability (Asset) (a-b)	\$ (594,119)	\$ (1,335,859)	\$ (361,156)	\$ (613,617)	\$ (316,637)	\$ (933,351)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	111.85%	115.69%	107.44%	107.37%	106.74%	112.04%
Covered Employee Payroll	\$ 1,448,998	\$ 1,084,947	\$ 1,432,148	\$ 1,040,716	\$ 1,793,834	\$ 968,450
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	-41.00%	-123.13%	-25.22%	-58.96%	-17.65%	-96.38%

BOROUGH OF AMBLER
REQUIRED SUPPLEMENTARY INFORMATION –
PENSION PLANS – SCHEDULES OF EMPLOYER CONTRIBUTIONS,
INVESTMENT RETURNS AND EMPLOYER'S NET PENSION LIABILITY
CALCULATED IN ACCORDANCE WITH GASB 68
DECEMBER 31, 2017
(UNAUDITED)

Schedule of Employer Contributions*						
	Year Ended December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
Non-Uniform Pension Plan	2014	\$ 89,819	\$ 106,693	\$ (16,874)	\$ 1,845,636	5.78%
Non-Uniform Pension Plan	2015	50,699	50,699	-	1,695,313	2.99%
Non-Uniform Pension Plan	2016	17,213	17,213	-	1,432,148	1.20%
Non-Uniform Pension Plan	2017	-	-	-	1,448,998	-
Police Pension Plan	2014	-	28,315	(28,315)	1,030,020	2.75%
Police Pension Plan	2015	31,094	31,094	-	1,010,427	3.08%
Police Pension Plan	2016	-	-	-	1,040,716	0.00%
Police Pension Plan	2017	-	-	-	1,084,947	-

Schedule of Investment Returns*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actual Money Weighted Rate of Return, Net of Investment Expense	11.70%	7.69%	-6.27%	6.20%

Schedule of the Employer's Net Pension Liability*							
	Year Ended <u>December 31,</u>	Total Pension <u>Liability</u>	Plan Fiduciary <u>Net Position</u>	Net Pension <u>Asset</u>	Plan Net Position as a % of Total <u>Pension Liability</u>	Covered <u>Payroll</u>	Net Pension Liability as a % of <u>Covered Payroll</u>
Non-Uniform Pension Plan	2014	\$ 4,117,764	\$ 5,129,434	\$ (1,011,670)	124.57%	\$ 1,845,636	-54.81%
Non-Uniform Pension Plan	2015	4,699,911	5,016,547	(316,636)	106.74%	1,695,313	-18.68%
Non-Uniform Pension Plan	2016	4,854,930	5,216,087	(361,157)	107.44%	1,432,148	-25.22%
Non-Uniform Pension Plan	2017	5,012,308	5,606,427	(594,119)	111.85%	1,448,998	-41.00%
Police Pension Plan	2014	7,077,640	9,583,581	(2,505,941)	135.41%	1,030,020	-243.29%
Police Pension Plan	2015	8,033,782	8,963,997	(930,215)	111.58%	1,010,427	-92.06%
Police Pension Plan	2016	8,325,492	9,142,726	(817,234)	109.82%	1,040,716	-78.53%
Police Pension Plan	2017	8,515,918	9,851,777	(1,335,859)	115.69%	1,084,947	-123.13%

* Schedules are intended to show information for 10 years. Additional years will be disclosed as they become available, in future years.

Schedule of Funding Progress:

Schedule of Employer Contributions:

*Actuarial Reports are prepared triennially.

BOROUGH OF AMBLER
REQUIRED SUPPLEMENTARY INFORMATION –
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
DECEMBER 31, 2017
(UNAUDITED)

	Original	Final	Actual	Variance with Final Budget Pos (Neg)
Revenues				
Taxes	\$ 2,981,589	\$ 2,981,589	\$ 3,224,836	\$ 243,247
Licenses and Permits	207,300	207,300	218,195	10,895
Fines, Forfeits and Costs	35,500	35,500	50,129	14,629
Interest on Investments	46,500	46,500	57,028	10,528
Grants and Revenue Sharing	89,776	89,776	69,512	(20,264)
Refuse Collection	137,550	137,550	214,765	77,215
Public Utility Realty Tax	3,000	3,000	3,221	221
Miscellaneous	81,539	81,539	182,313	100,774
Sale of Assets	-	-	2,850	2,850
Total Revenues	3,582,754	3,582,754	4,022,849	440,095
Expenditures				
General	388,701	388,701	396,331	(7,630)
Protection to Persons and Property	2,285,026	2,285,026	2,205,034	79,992
Public Works - Highways, Streets & Parking	707,781	707,781	544,055	163,726
Recreation	21,459	21,459	15,256	6,203
Revitalization	65,000	65,000	25,360	39,640
Debt Service	60,066	60,066	203,177	(143,111)
Capital Outlays	73,031	73,031	177,513	(104,482)
Total Expenditures	3,601,064	3,601,064	3,566,726	34,338
Excess (Deficit) of Revenues Over Expenditures	(18,310)	(18,310)	456,123	474,433
Other Financing Sources (Uses)				
Proceeds from Capital Lease	-	-	78,102	78,102
Transferred In (Out)	30,000	30,000	97,725	67,725
Total Other Financing Sources (Uses)	30,000	30,000	175,827	145,827
Net Change in Fund Balances	\$ 11,690	\$ 11,690	631,950	\$ 620,260
Fund Balances - Beginning of Year			2,293,343	
Fund Balances - End of Year			\$ 2,925,293	

BOROUGH OF AMBLER
REQUIRED SUPPLEMENTARY INFORMATION –
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
REFUSE FUND
DECEMBER 31, 2017
(UNAUDITED)

	Original	Final	Actual	Variance with Final Budget Pos (Neg)
Revenues				
Interest on Investments	\$ 1,200	\$ 1,200	\$ 7,027	\$ 5,827
Charges for Services	323,500	323,500	322,748	(752)
Miscellaneous	-	-	125	125
Total Revenues	324,700	324,700	329,900	5,200
Expenditures				
Health and Sanitation	496,417	496,417	494,293	2,124
Total Expenditures	496,417	496,417	494,293	2,124
Excess (Deficit) of Revenues Over Expenditures	(171,717)	(171,717)	(164,393)	7,324
Other Financing Sources (Uses)				
Transferred In (Out)	(30,000)	(30,000)	(30,000)	-
Total Other Financing Sources (Uses)	(30,000)	(30,000)	(30,000)	-
Net Change in Fund Balances	\$ (201,717)	\$ (201,717)	(194,393)	\$ 7,324
Fund Balances - Beginning of Year			466,305	
Fund Balances - End of Year			\$ 271,912	

BOROUGH OF AMBLER
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017
(SEE INDEPENDENT AUDITORS' REPORT)

	Nonmajor Special Revenue Funds							Total Non Major Funds
	Street Lighting Fund	Fire Fund	Recreation Fund	Revolving Loan Fund	Highway	Total	Debt Service	
<u>Assets</u>								
Cash and Cash Equivalents	\$ 154,652	\$ 11,891	\$ 108,890	\$ 30,273	\$ 192,712	\$ 498,418	\$ 276,631	\$ 775,049
Taxes Receivable	425	973	791	-	-	2,189	-	2,189
Due From Other Funds	28	-	52	-	-	80	-	80
Accounts Receivable	-	-	-	310,000	-	310,000	-	310,000
Total Assets	\$ 155,105	\$ 12,864	\$ 109,733	\$ 340,273	\$ 192,712	\$ 810,887	\$ 276,631	\$ 1,087,318
<u>Liabilities and Fund Balance</u>								
<u>Liabilities</u>								
Accounts Payable	\$ 4,204	\$ 2,257	\$ 406	\$ -	\$ -	\$ 6,867	\$ -	\$ 6,867
Due to Other Funds	-	10,607	-	-	-	10,607	-	10,607
Total Liabilities	4,204	12,864	406	-	-	17,474	-	17,474
<u>Fund Balances</u>								
Restricted	150,901	-	109,327	340,273	192,712	793,213	276,631	1,069,844
Total Fund Balances	150,901	-	109,327	340,273	192,712	793,213	276,631	1,069,844
Total Liabilities and Fund Balances	\$ 155,105	\$ 12,864	\$ 109,733	\$ 340,273	\$ 192,712	\$ 810,887	\$ 276,631	\$ 1,087,318

BOROUGH OF AMBLER
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017
(SEE INDEPENDENT AUDITORS' REPORT)

	Street Light Fund	Fire Fund	Recreation Fund	Revolving Loan Fund	Highway	Sub-Total Non Major Special Revenue	Debt Service	Total Non Major Funds
Revenues								
Taxes	\$ 60,243	\$ 137,629	\$ 111,802	\$ -	\$ -	\$ 309,674	\$ -	\$ 309,674
Foreign Fire Relief	-	40,375	-	-	-	40,375	-	40,375
Interest on Investments	1,148	181	795	2,429	2,620	7,173	1,696	8,869
Charges for Service	-	-	546	-	-	546	-	546
State Motor Vehicle Fuel Tax	-	-	-	-	164,915	164,915	-	164,915
Contribution from General Fund	-	5,962	-	-	-	5,962	-	5,962
Contribution from Lower Gwynedd	-	17,325	-	-	-	17,325	-	17,325
Total Revenues	61,391	201,472	113,143	2,429	167,535	545,970	1,696	547,666
Expenditures								
Street Lighting	58,306	-	-	-	-	58,306	-	58,306
Fire	-	201,472	-	-	-	201,472	-	201,472
Recreation	-	-	90,306	-	-	90,306	-	90,306
Highways and Streets	-	-	-	-	18,883	18,883	-	18,883
Capital Outlay	14,005	-	-	-	256,505	270,510	-	270,510
Total Expenditures	72,311	201,472	90,306	-	275,388	639,477	-	639,477
Excess (Deficit) of Revenues Over Expenditures	(10,920)	-	22,837	2,429	(107,853)	(93,507)	1,696	(91,811)
Other Financing Sources (Uses)								
Transfers In (Out)	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)								
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(10,920)	-	22,837	2,429	(107,853)	(93,507)	1,696	(91,811)
Fund Balances - Beginning of Year	161,821	-	86,490	337,844	300,565	886,720	274,935	1,161,655
Fund Balances - End of Year	\$ 150,901	\$ -	\$ 109,327	\$ 340,273	\$ 192,712	\$ 793,213	\$ 276,631	\$ 1,069,844

BOROUGH OF AMBLER
 COMBINING STATEMENT OF PLAN NET POSITION
 FIDUCIARY FUNDS
 DECEMBER 31, 2017
 (SEE INDEPENDENT AUDITOR'S REPORT)

	Pension Trust Funds		Total
	Police	Non-Uniformed Employees	
Assets			
Cash and Cash Equivalents	\$ 8,735	\$ 68,314	\$ 77,049
Accrued Income	24,166	2,315	26,481
Investments:			
Stocks, at Fair Value	3,935,726	2,298,154	6,233,880
Mutual Funds, at Fair Value	<u>5,883,150</u>	<u>3,237,644</u>	<u>9,120,794</u>
Total Assets	<u>\$ 9,851,777</u>	<u>\$ 5,606,427</u>	<u>\$ 15,458,204</u>
Net Position Restricted for Pensions	<u>\$ 9,851,777</u>	<u>\$ 5,606,427</u>	<u>\$ 15,458,204</u>

BOROUGH OF AMBLER
 COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION
 FIDUCIARY FUNDS
 YEAR ENDED DECEMBER 31, 2017
 (SEE INDEPENDENT AUDITOR'S REPORT)

	Pension Trust Funds		Total
	Police	Non-Uniformed Employees	
Additions			
Contributions:			
Plan Members	\$ -	\$ 37,765	\$ 37,765
Employer	-	-	-
Other Contributions	-	-	-
Total Contributions	-	37,765	37,765
Investment Earnings			
Net Appreciation in Fair Value of Investments	1,156,223	501,773	1,657,996
Interest and Dividends	179,606	113,682	293,288
Total Investment Earnings	1,335,829	615,455	1,951,284
Less Investment Expense	(71,990)	(20,160)	(92,150)
Net Investment Earnings	1,263,839	595,295	1,859,134
Total Additions	1,263,839	633,060	1,896,899
Deductions			
Benefits	263,271	231,290	494,561
Administration and Other	87,900	11,430	99,330
Total Deductions	351,171	242,720	593,891
Changes in Net Position	912,668	390,340	1,303,008
Net Position - Beginning of Year	8,939,109	5,216,087	14,155,196
Net Position - End of Year	\$ 9,851,777	\$ 5,606,427	\$ 15,458,204