



***Northampton County Industrial
Development Authority***

August 31, 2018 and 2017

Financial Statements and Independent Auditors' Report

NORTHAMPTON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
AUGUST 31, 2018 AND 2017

TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditors' Report	2-3
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in accordance with Government Auditing Standards	4-5
Management's Discussion and Analysis	6-8
Financial Statements	
Statements of Net Position	9
Statements of Revenues, Expenses and Changes in Net Position	10
Statements of Cash Flows	11
Notes to Financial Statements	12-18

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Northampton County Industrial Development Authority

Report on the Financial Statements

We have audited the accompanying financial statements of Northampton County Industrial Development Authority, an enterprise fund, as of and for the years ended August 31, 2018 and 2017, and the related notes to the 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northampton County Industrial Development Authority as of August 31, 2018 and 2017, and the changes in its net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2019, on our consideration of the Northampton County Industrial Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northampton County Industrial Development Authority's internal control over financial reporting and compliance.

Concannon, Miller + Co., P.C.

Bethlehem, PA
January 23, 2019

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

To the Board of Directors of
Northampton County Industrial Development Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Northampton County Industrial Development Authority ("Authority") as of and for the years ended August 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 23, 2019.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Concannon, Miller + Co., P.C.

Bethlehem, PA
January 23, 2019

NORTHAMPTON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2018

Our discussion and analysis of Northampton County Industrial Development Authority's ("Authority") financial performance provides an overview of the Authority's financial activities for the year ended August 31, 2018. Please read it in conjunction with the Authority's financial statements, which begin on page 9.

Overview of the Authority:

The Authority was created in 1969 to provide economic incentives to foster development and job growth in Northampton County. The Authority's primary purpose is to act as the conduit for tax-exempt and other financings for economic development projects as well as to take actions that will help to improve economic development in Northampton County, Pennsylvania.

The Authority is serviced by the employees of the Lehigh Valley Economic Development Corporation (LVEDC). The LVEDC provides staff and services to the Authority relating to General Administrative Services and Business Development Services, which include general marketing of programs, prospect development, project management and application preparation. The Authority's Board of Directors are appointed by the County Executive and confirmed by County Council.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements include (1) the statement of net position, (2) the statement of revenues, expenses and changes in net position, (3) the statement of cash flows, and (4) notes to financial statements.

The Statement of Net Position is designed to indicate our financial position as of a specific point in time. At August 31, 2018, it shows our net position of \$1,617,888, a change of \$8,930 in comparison to the prior year. The largest unrestricted portion of net position, \$1,568,948, reflects the available operating cash generated from past projects and which is available for future operations.

The Statement of Revenues, Expenses and Changes in Net Position summarizes our operating results and reveals how much, if any, of a profit was earned for the year. Our change in net position for the year ended August 31, 2018 was \$8,930. The most significant component of this increase is the volume of service fees earned that exceeded the related contracted administrative services for the year.

The Statement of Cash Flows provides information about cash receipts and cash payments during the year. It also provides information about investing and financing activities for the same period. A review of our Statement of Cash Flows indicates that cash receipts from operating activities were not sufficient to cover our operating expenses in fiscal year 2018. This is largely due to the fact that the funds used to make the grant payments under the Job Creation Grant Program were received in prior years and therefore the cash outflow of those grants is not offset by cash receipts in the same year. These funds are maintained as Restricted cash – Job Creation Grant Program on the statement of Net Position.

Financial Highlights

Summary of Net Position

	August 31,	
	2018	2017
Current assets	\$ 4,529,268	\$ 4,507,297
Noncurrent assets	25,000	25,000
Total Assets	4,554,268	4,532,297
Deferred outflows of resources	455,190	575,218
Total Assets and Deferred Outflows of Resources	<u>\$ 5,009,458</u>	<u>\$ 5,107,515</u>
Current liabilities	\$ 161,730	\$ 7,077
Noncurrent liabilities	2,784,633	2,923,773
Total Liabilities	2,946,363	2,930,850
Deferred inflows of resources	445,207	567,707
Net Position - unrestricted	1,617,888	1,608,958
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 5,009,458</u>	<u>\$ 5,107,515</u>

Summary of Revenues, Expenses and Changes in Net Position

	August 31,	
	2018	2017
Operating revenues	\$ 592,486	\$ 770,350
Operating expenses	595,889	778,316
Loss from operations	(3,403)	(7,966)
Non-Operating Revenue	12,333	3,569
Change in net position	8,930	(4,397)
Beginning net position	1,608,958	1,613,355
Ending net position	<u>\$ 1,617,888</u>	<u>\$ 1,608,958</u>

Operating revenues decreased by \$177,864, or 23.1%, and operating expenses decreased by \$182,427, or 23.4%. Each of these changes is due to the reduced volume of Redevelopment Capital Assistance Grants and Job Creation Grants meeting the recognition criteria in the respective year.

The Authority has no capital assets.

The Authority is current with operating expenditures. The Authority does not anticipate acquiring any new debt in the near future.

Financial Performance:

During the year ended August 31, 2018, the Authority continued to facilitate one Tax Increment Financing (TIF) district comprising of the following:

- The Route 33 TIF District, which is the financing of the design, acquisition and construction of an interchange and related improvements to Pennsylvania Route 33 and other necessary and related improvements to be located within the TIF District. The total amount of TIF debt may not exceed \$24,040,000.
- Service fees generated from this activity during the year ended August 31, 2018 were \$25,476.

In addition, during the year ended August 31, 2018, the Authority administered the Redevelopment Capital Assistance Grant Program and the Job Creation Grant program providing \$504,760 in grants to companies who met the respective requirements under each program and which operate in Northampton County. The Authority received these funds through programs sponsored by the Commonwealth of Pennsylvania and the County of Northampton.

The Authority has executed an agreement with the LVEDC in which operations of the Authority are primarily performed by the personnel of LVEDC. These services include promoting and marketing the finance programs of the Authority, identifying prospective grant applicants to the Authority, preparing and processing grant and loan applications, and assisting the Authority in developing, implementing and administering its TIF prospects and other economic development projects. Fees relative to this agreement require quarterly payments of \$7,500 plus 50% of all service fee income generated from the programs administered. Total related expenses for the year ended August 31, 2018 were \$73,196.

These grant and administrative service expenses comprised approximately 97% of total expenses for the year ended August 31, 2018.

Requests for information:

This financial report is designed to provide a general overview of the Northampton County Industrial Development Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Northampton County Industrial Development Authority
c/o Lehigh Valley Economic Development Corporation
2158 Avenue C, Suite 200
Bethlehem, PA 18017

NORTHAMPTON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENTS OF NET POSITION

	August 31,	
	2018	2017
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,568,948	\$ 1,553,623
Restricted cash and cash equivalents	2,784,634	2,923,773
Accounts receivable	60,430	25,428
Prepaid expenses	2,139	4,473
Grant receivable	113,117	0
Total Current Assets	4,529,268	4,507,297
OTHER ASSETS		
Note receivable	25,000	25,000
Total Assets	4,554,268	4,532,297
DEFERRED OUTFLOWS OF RESOURCES		
Restricted cash - Job Creation Grant Program	455,190	575,218
Total Assets and Deferred Outflows of Resources	\$ 5,009,458	\$ 5,107,515
<u>LIABILITIES AND NET POSITION</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 48,613	\$ 7,077
Grants payable	113,117	0
Total Current Liabilities	161,730	7,077
LONG-TERM LIABILITIES		
Due to Route 33 TIF District	2,784,633	2,795,793
Due to Palmer Township Center TIF District	0	127,980
Total Long-Term Liabilities	2,784,633	2,923,773
Total Liabilities	2,946,363	2,930,850
DEFERRED INFLOWS OF RESOURCES		
Unearned grant revenue - Job Creation Grant Program	445,207	567,707
Total Liabilities and Deferred Inflows of Resources	3,391,570	3,498,557
NET POSITION - UNRESTRICTED		
Total Liabilities, Deferred Inflows of Resources and Net Position	1,617,888	1,608,958
	\$ 5,009,458	\$ 5,107,515

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

NORTHAMPTON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Years Ended	
	August 31,	
	2018	2017
OPERATING REVENUES		
Grant revenue	\$ 504,760	\$ 725,740
Service fees	87,726	44,610
	<u>592,486</u>	<u>770,350</u>
OPERATING EXPENSES		
Grant expense	504,760	725,740
Contracted administrative services	73,196	39,839
Accounting	7,000	7,000
Insurance	3,142	3,116
Miscellaneous	7,791	2,621
	<u>595,889</u>	<u>778,316</u>
LOSS FROM OPERATIONS	(3,403)	(7,966)
NON-OPERATING REVENUE		
Interest income	<u>12,333</u>	<u>3,569</u>
CHANGE IN NET POSITION	8,930	(4,397)
NET POSITION, SEPTEMBER 1	<u>1,608,958</u>	<u>1,613,355</u>
NET POSITION, AUGUST 31	<u><u>\$ 1,617,888</u></u>	<u><u>\$ 1,608,958</u></u>

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

NORTHAMPTON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENTS OF CASH FLOWS

	Years Ended	
	August 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received for services	\$ 54,154	\$ 22,429
Cash received from grants	382,260	417,740
Cash paid to suppliers for goods and services	(47,259)	(45,525)
Cash paid for grants	(504,760)	(725,740)
Net Cash Used in Operating Activities	<u>(115,605)</u>	<u>(331,096)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	10,902	3,569
Net Cash Provided by Investing Activities	<u>10,902</u>	<u>3,569</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Bond proceeds and TIF revenue received - Route 33 TIF District	5,179,512	4,697,424
Payments for debt service and development costs - Route 33 TIF District	(5,190,671)	(5,129,287)
Tax increment proceeds provided by taxing authorities Palmer Township Center TIF District	0	294,576
Payments for debt service - Palmer Township Center TIF District	(127,980)	(293,809)
Net Cash Used in Financing Activities	<u>(139,139)</u>	<u>(431,096)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(243,842)	(758,623)
CASH AND CASH EQUIVALENTS, SEPTEMBER 1	5,052,614	5,811,237
CASH AND CASH EQUIVALENTS, AUGUST 31	<u>\$ 4,808,772</u>	<u>\$ 5,052,614</u>
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH USED IN OPERATING ACTIVITIES		
Loss from operations	\$ (3,403)	\$ (7,966)
Change in accounts receivable	(33,572)	(22,181)
Change in prepaid expenses	2,334	(26)
Change in grants receivable	(113,117)	461,610
Change in accounts payable	41,536	7,077
Change in grants payable	113,117	(461,610)
Change in unearned grant revenue	(122,500)	(308,000)
Net Cash Used in Operating Activities	<u>\$ (115,605)</u>	<u>\$ (331,096)</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

CASH BALANCES, AUGUST 31		
Available for operations	\$ 1,568,948	\$ 1,553,623
Restricted cash - Job Creation Grant Program	455,190	575,218
Restricted cash - Route 33 TIF District	2,784,634	2,795,793
Restricted cash - Palmer Township Center TIF District	0	127,980
	<u>\$ 4,808,772</u>	<u>\$ 5,052,614</u>

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

NORTHAMPTON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

NOTE 1 Nature of Purpose of the Reporting Entity

Northampton County Industrial Development Authority (the “Authority”) was created on March 25, 1969, pursuant to the Industrial Development Authorities Law and Municipal Authorities Act of 1945 of the Commonwealth of Pennsylvania. The initial term of the Authority is fifty (50) years and for such further periods as authorized and permitted by provisions of the Authority Act. Effective November 17, 2008, the life of the Authority was extended 50 years to November 17, 2058.

The Authority’s primary purpose is to act as the conduit for tax-exempt and other financings for economic development projects as well as to take actions that will help to improve economic development in Northampton County, Pennsylvania.

NOTE 2 Summary of Significant Accounting Policies

Governmental Accounting Standards

The accounting policies of the Authority conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the more significant accounting policies.

Basis of Presentation

Enterprise Funds are used to account for operations: (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Based on the above definition, the Authority is accounted for utilizing enterprise fund accounting.

Basis of Accounting

Basis of accounting refers to when revenue and expenses are recognized and reported in the financial statements. The financial statements are prepared utilizing the accrual basis of accounting. Accordingly, revenues and expenses are recognized at the time services are provided or received.

NORTHAMPTON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2018 AND 2017

NOTE 2 Summary of Significant Accounting Policies (Continued)

Operating and Non-Operating Items

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and administering programs in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are fees and grants. The Authority's principal operating expenses include contracted administrative services and grant costs.

Use of Restricted Resources

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

Conduit Debt Issuances

The Authority acts as an intermediary between businesses and financial institutions wishing to provide financing to such businesses in the form of industrial development and other similar types of bonds that are classified as conduit debt issuances.

Conduit debt obligations are not reported as liabilities in the Authority's financial statements. The bonds are not secured by or payable from revenues or assets of the Authority. The faith and credit of the Authority is not pledged to the payment of the principal and interest on the bonds nor is the Authority in any manner obligated to make any payments on these bonds. The bonds are secured by the pledged assets/revenues of the entities on whose behalf the debt is obtained.

During the year ended August 31, 2018 the Authority provided tax exempt financing of \$20,000,000 for Project # 22702 – Refinance of Moravian Village of Bethlehem through a conduit debt issuance. As described above, this activity is secured by the property financed and is payable solely from payments received on the underlying note between the lending institution and Moravian Village of Bethlehem. The principal amount payable under this note as of August 31, 2018 could not be determined.

Estimates

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, it is the Authority's policy to classify all checking and saving accounts, time deposits, and any investments in money funds negotiated at \$1 that do not have significant withdrawal restrictions as cash and cash equivalents.

NORTHAMPTON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2018 AND 2017

NOTE 3 Deposits

The Authority can invest its general funds as follows:

- a. U.S. Treasury Bills
- b. Obligations of the United States of America, the Commonwealth of Pennsylvania, or any of their agencies or instrumentalities, which are secured by the full faith and credit of such entity
- c. Checking or savings accounts, certificates of deposit, or share accounts, provided such amounts are insured and the depository collateralizes any deposits in excess of such insurance
- d. Shares of a registered investment company, provided that the investments of the company are in authorized investments as noted above

	August 31,	
	2018	2017
Uninsured and collateralized with securities held by the pledging financial institution's trust department	\$ 4,434,333	\$ 4,421,752
Uninsured and collateralized with securities held by the pledging financial institution	0	0
Uninsured and uncollateralized	0	0
Total	\$ 4,434,333	\$ 4,421,752

Reconciliation of Cash & Cash Equivalents:

	August 31,	
	2018	2017
Uninsured and collateralized with securities held by the pledging financial institution's trust department or agent	\$ 4,434,333	\$ 4,421,752
Add: amount insured under FDIC	516,939	627,980
Plus: deposits in transit	0	2,882
Less: outstanding checks	(142,500)	0
Total cash and cash equivalents	\$ 4,808,772	\$ 5,052,614

Custodial Credit Risk to Deposits

Custodial Credit Risk is the risk that in the event of a bank failure, the Authority's deposits may not be recovered. The Authority's policy for minimizing credit risk for bank balances exceeding Federal Deposit Insurance Corporation's insured limits relies upon Act 72 of 1971. The Act requires the financial institution to pool collateral held by an approved custodian in the institutions name. The Authority has verified that its financial institution has secured the Authority's funds through either a letter of credit through the Federal Home Loan bank of Pittsburg and/or funds collateralized by the bank.

NORTHAMPTON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2018 AND 2017

NOTE 3 Deposits (Continued)

Credit Risk

The Authority is permitted to invest funds in U.S. Treasury Bills, Short-Term Obligations of the United States Government or its agencies or instrumentalities, obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision, Certificates of Deposit, Secured Purchase Agreements, authorized Investment Trust Companies and Time or Share Accounts of Institutions insured or secured by the FDIC to the extent such certificates are insured by a proper bond or collateral in accordance with the law.

Interest Rate Risk

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE 4 Restricted Cash

	August 31,	
	2018	2017
Job Creation Grant Program	\$ 455,190	\$ 575,218
Palmer Township Center TIF District	0	127,980
Route 33 TIF District	2,784,634	2,795,793
Total	\$ 3,239,824	\$ 3,498,991

NOTE 5 Note Receivable

	August 31,	
	2018	2017
Rising Tide Community Loan Fund - Unsecured promissory note, non-interest bearing. Principal balance due upon maturity occurring on January 23, 2023.	\$ 25,000	\$ 25,000

NORTHAMPTON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2018 AND 2017

NOTE 6 Fees

During the years ended August 31, 2018 and 2017, the Authority received fees for administering the one and two, respectively, Tax Increment Financing (TIF) projects disclosed in Note 9. The fees generated from these activities were \$25,476 and \$28,310, respectively, and are based on 1% of the annual debt service due by these programs. During the years ended August 31, 2018 and 2017, the Authority earned \$60,000 and \$12,300 for helping separate entities obtain refinancing of \$20,000,000 and \$3,850,000, respectively, \$1,750 and \$0, respectively, for application and termination fees, and \$500 and \$4,000, respectively, for helping separate entities obtain state grants.

NOTE 7 Grants

Grant revenue and expense are generated from funding provided by state sources through the Redevelopment Assistance Capital Program, and Northampton County Job Creation Grant Program as detailed below.

	August 31,	
	2018	2017
Redevelopment Assistance Capital Program:		
St. Luke's – 4 th Floor Service Line		
Expansion Capital Project	\$ 382,260	\$ 417,740
Northampton County Job Creation Grant Program:		
Amazon	122,500	0
Fedex Ground Package System, Inc.	0	282,000
Vastex International, Inc.	0	26,000
Northampton County Job Creation Grant Program subtotal	122,500	308,000
Total grant expense	\$ 504,760	\$ 725,740

NOTE 8 Job Creation Grant Program

Starting in 2011, the Authority has received funding from the County of Northampton for the Job Creation Grant Program. The purpose of the program is to secure job-creating economic development projects through preservation and expansion of existing industry and attraction of economic development prospects to Northampton County. As of August 31, 2018, the Authority had received \$1,200,000 from the County and has cumulatively awarded \$754,793 to eligible applicants.

The remaining balances have been recorded as restricted cash and unearned grant revenue on the Statement of Net Position. The County stopped funding the program during the fiscal year 2014.

NORTHAMPTON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2018 AND 2017

NOTE 9 Tax Increment Financing Projects

Palmer Township TIF District

Northampton County, Easton Area School District, and Palmer Township entered into a Tax Increment Financing Project for which the Authority is the administrator. The objective of the TIF is to finance a portion of the offsite public infrastructure improvements necessary due to the redevelopment of a former Bethlehem Corporation property located in Palmer Township (Palmer Township Center TIF District). The project is the Palmer Town Center, which is a retail and commercial project. Tax Increment funds were used for off-site, public infrastructure improvements, and related TIF administration costs. In March 2004, the Authority closed on debt to fund the costs of this project. The total amount of TIF debt may not exceed \$2,450,000.

The Authority repays the TIF debt from the tax increment proceeds generated by new development within the TIF District, which is composed of 29.197 acres located in Palmer Township

By agreement, the Pledge of TIF Revenues and TIF Fund and Security Agreement shall be terminated on the earlier to occur of (i) the Termination Date; or (ii) such time as the note is paid in full and otherwise satisfied. Upon termination, funds remaining in the TIF Revenue Account shall be distributed as set forth in the TIF Agreement.

In August 2017, the Authority made the final payment of approximately \$288,000 on the obligations due under the terms of the Palmer Township Center TIF District leaving a cash balance as of August 31, 2017 of \$127,980. During the year ended August 31, 2018, the Authority engaged an independent CPA to review the cash activity of the entire project and determine how the remaining funds should be distributed to the three taxing bodies based on the original contract. Upon completion of the examination and subsequent to the payment of any final fees and costs relative to the project, the Authority distributed the remaining funds to the appropriate taxing bodies in November 2017.

Route 33 TIF

In November of 2013, Northampton County, Easton Area School District, and Palmer Township entered into a TIF Project (“Route 33 TIF”) for which the Authority serves as the administrator. The Route 33 TIF District purpose is to finance the costs to construct a new highway interchange on PA Route 33 in Palmer Township at Main Street, including the replacement of the Main Street Bridge structure over Route 33 and related improvements. The Authority has contracted with Argus Growth Consultants, Ltd., to provide certain additional administrative services for the project. The total amount of TIF debt may not exceed \$24,040,000. The TIF debt will be repaid from the tax increment proceeds generated by new development within the TIF District, which is composed of 689.47 acres located in Palmer Township. By agreement, the TIF is scheduled to end July 1, 2032, at which time the debt is scheduled to be paid in full.

NORTHAMPTON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2018 AND 2017

NOTE 9 Tax Increment Financing Projects (Continued)

Since TIF debt is payable only from the incremental tax revenues generated by the TIF District, the note payable is not recorded on the Authority's financial statements as a liability. The Due to TIF District liability is equal to the current balance of the TIF cash accounts, which are included in restricted cash.

NOTE 10 Administrative Agreement

On October 8, 2014 the Authority entered into an administrative services agreement with the Lehigh Valley Economic Development Corporation ("LVEDC") whereby the Authority agreed to pay a quarterly fee of \$7,000 to LVEDC for them to perform administrative duties. The agreement also required the Authority to submit 25% of all service fee income to LVEDC. An amendment was entered into during the year ended August 31, 2018, effective January 2018, whereby the Authority's quarterly fee to LVEDC increased from \$7,000 to \$7,500 for administrative duties. The amendment also increased the fee paid to LVEDC on the Authority's service fee income from 25% to 50%.

For the years ended August 31, 2018 and 2017, total administrative fees paid were \$73,196 and \$39,839, respectively.

NOTE 11 Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; and natural disasters for which the Authority carries commercial insurance. The Authority has purchased various insurance policies to safeguard its assets from risk of loss. There have been no significant reductions in coverage from the prior year and losses have not exceeded coverage during the fiscal years ended August 31, 2018 and 2017.

NOTE 12 Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure in the financial statements through January 23, 2019, the date the financial statements were available to be issued. No events or transactions have occurred which would require recognition or disclosure in the financial statements.