



***Northampton County Industrial
Development Authority***

August 31, 2020 and 2019

Financial Statements and Independent Auditors' Report

NORTHAMPTON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
AUGUST 31, 2020 AND 2019

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INDEPENDENT AUDITOR'S 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, 2020 and 2019, 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 audits. We conducted our audits 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, 2020 and 2019, 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 March 8, 2021, 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
March 8, 2021

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

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, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated March 8, 2021.

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
March 8, 2021

NORTHAMPTON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2020

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, 2020. 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, 2020, it shows our net position of \$1,684,343, a change of \$63,837 in comparison to the prior year. The largest unrestricted portion of net position, \$1,634,326, 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, 2020 was \$63,837. The most significant component of this increase is the service fees earned by the Authority during 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 2020. 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,	
	2020	2019
Current assets	\$ 6,092,328	\$ 5,404,703
Noncurrent assets	25,000	25,000
Total Assets	6,117,328	5,429,703
Deferred outflows of resources	265,308	361,253
Total Assets and Deferred Outflows of Resources	<u>\$ 6,382,636</u>	<u>\$ 5,790,956</u>
Current liabilities	\$ 500	\$ 25,464
Noncurrent liabilities	4,452,586	3,799,779
Total Liabilities	4,453,086	3,825,243
Deferred inflows of resources	245,207	345,207
Net Position - unrestricted	1,684,343	1,620,506
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 6,382,636</u>	<u>\$ 5,790,956</u>

Summary of Revenues, Expenses and Changes in Net Position

	August 31,	
	2020	2019
Operating revenues	\$ 300,574	\$ 229,388
Operating expenses	262,139	255,201
Gain (Loss) from operations	38,435	(25,813)
Non-Operating Revenue	25,402	28,431
Change in net position	63,837	2,618
Beginning net position	1,620,506	1,617,888
Ending net position	<u>\$ 1,684,343</u>	<u>\$ 1,620,506</u>

Operating revenues increased by \$71,186, or 31.0%, and operating expenses increased by \$6,938, or 2.7%. Each of these changes is due to the increased volume of new projects executed during the year and related service fee income earned.

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, 2020, 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, 2020 were \$25,439.

In addition, during the year ended August 31, 2020, the Authority served as the grant recipient of the Redevelopment Assistance Capital Grant Program and the administrator of the Job Creation Grant program providing \$112,500 in grants to grantees who met the respective requirements under each program. 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, 2020 were \$100,645.

These grant and administrative service expenses comprised approximately 81% of total expenses for the year ended August 31, 2020.

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,	
	2020	2019
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,634,326	\$ 1,559,818
Restricted cash and cash equivalents	4,452,586	3,799,779
Accounts receivable	1,000	27,967
Prepaid expenses	4,416	4,639
Grant receivable	0	12,500
Total Current Assets	6,092,328	5,404,703
OTHER ASSETS		
Note receivable	25,000	25,000
Total Assets	6,117,328	5,429,703
DEFERRED OUTFLOWS OF RESOURCES		
Restricted cash - Job Creation Grant Program	265,308	361,253
Total Assets and Deferred Outflows of Resources	\$ 6,382,636	\$ 5,790,956
<u>LIABILITIES AND NET POSITION</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 500	\$ 12,964
Grants payable	0	12,500
Total Current Liabilities	500	25,464
LONG-TERM LIABILITIES		
Due to Route 33 TIF District	4,452,586	3,799,779
Total Liabilities	4,453,086	3,825,243
DEFERRED INFLOWS OF RESOURCES		
Unearned grant revenue - Job Creation Grant Program	245,207	345,207
Total Liabilities and Deferred Inflows of Resources	4,698,293	4,170,450
NET POSITION - UNRESTRICTED		
Total Liabilities, Deferred Inflows of Resources and Net Position	1,684,343	1,620,506
	\$ 6,382,636	\$ 5,790,956

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,	
	2020	2019
OPERATING REVENUES		
Grant revenue	\$ 112,500	\$ 200,617
Service fees	188,074	28,771
	<u>300,574</u>	<u>229,388</u>
OPERATING EXPENSES		
Grant expense	112,500	200,617
Contracted administrative services	100,645	43,464
Referral service fee expense	37,600	0
Accounting	7,350	7,000
Insurance	2,984	3,142
Miscellaneous	1,060	978
	<u>262,139</u>	<u>255,201</u>
GAIN (LOSS) FROM OPERATIONS	38,435	(25,813)
NON-OPERATING REVENUE		
Interest income	<u>25,402</u>	<u>28,431</u>
CHANGE IN NET POSITION	63,837	2,618
NET POSITION, SEPTEMBER 1	<u>1,620,506</u>	<u>1,617,888</u>
NET POSITION, AUGUST 31	<u><u>\$ 1,684,343</u></u>	<u><u>\$ 1,620,506</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,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received for services	\$ 215,041	\$ 62,093
Cash received from grants	12,500	100,617
Cash paid to suppliers for goods and services	(161,880)	(92,732)
Cash paid for grants	(112,500)	(200,617)
Net Cash Used in Operating Activities	<u>(46,839)</u>	<u>(130,639)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	25,402	27,572
Net Cash Provided by Investing Activities	<u>25,402</u>	<u>27,572</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Bond proceeds and TIF revenue received - Route 33 TIF District	4,497,478	5,284,642
Payments for debt service and development costs - Route 33 TIF District	<u>(3,844,671)</u>	<u>(4,269,497)</u>
Net Cash Provided by Financing Activities	<u>652,807</u>	<u>1,015,145</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	631,370	912,078
CASH AND CASH EQUIVALENTS, SEPTEMBER 1	<u>5,720,850</u>	<u>4,808,772</u>
CASH AND CASH EQUIVALENTS, AUGUST 31	<u><u>\$ 6,352,220</u></u>	<u><u>\$ 5,720,850</u></u>
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH USED IN OPERATING ACTIVITIES		
Gain (loss) from operations	\$ 38,435	\$ (25,813)
Change in accounts receivable	26,967	33,322
Change in prepaid expenses	223	(2,500)
Change in grants receivable	12,500	100,617
Change in accounts payable	(12,464)	(35,648)
Change in grants payable	(12,500)	(100,617)
Change in unearned grant revenue	(100,000)	(100,000)
Net Cash Used in Operating Activities	<u>\$ (46,839)</u>	<u>\$ (130,639)</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

CASH BALANCES, AUGUST 31		
Available for operations	\$ 1,634,326	\$ 1,559,818
Restricted cash - Job Creation Grant Program	265,308	361,253
Restricted cash - Route 33 TIF District	4,452,586	3,799,779
	<u>\$ 6,352,220</u>	<u>\$ 5,720,850</u>

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

NORTHAMPTON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

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.

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.

NORTHAMPTON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2020 AND 2019

NOTE 2 Summary of Significant Accounting Policies (Continued)

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, 2020, the Authority provided tax exempt financing of \$37,600,000 for Project # 22800 – Refinance of Morningstar Senior Living and tax-exempt financing of \$15,000,000 for Project # 22247 – Financing of Presbyterian Homes through conduit debt issuances. As described above, these activities are secured by the properties financed and are payable solely from payments received on the underlying note(s) between the lending institution and Morningstar Senior Living and Presbyterian Homes, respectively. The principal amounts payable under these notes as of August 31, 2020 could not be determined. No similar activity occurred during the year ended August 31, 2019.

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.

Revenue Recognition

Annual loan maintenance income is recognized once a year. The amount of the fees are calculated based on the original principal balance of the loan acquired by the borrower. Such fees are charged annually to the borrower until the related loan matures or has been paid off.

NORTHAMPTON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2020 AND 2019

NOTE 2 Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Application fee income is recognized at the time an application is prepared by the Authority. Service fee income is recognized at the time the related services have been performed. Service fees are based upon a certain percent of the total loan or grant amount.

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,	
	2020	2019
Uninsured and collateralized with securities held by the pledging financial institution's trust department or agent	\$ 5,852,015	\$ 5,215,742
Uninsured and collateralized with securities held by the pledging financial institution	0	0
Uninsured and uncollateralized	0	0
Total	\$ 5,852,015	\$ 5,215,742

Reconciliation of Cash & Cash Equivalents:

	August 31,	
	2020	2019
Uninsured and collateralized with securities held by the pledging financial institution's trust department or agent	\$ 5,852,015	\$ 5,215,742
Plus: amount insured under FDIC	500,000	500,000
Plus: deposits in transit	205	5,754
Less: outstanding checks	0	(646)
Total cash and cash equivalents	\$ 6,352,220	\$ 5,270,850

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.

NORTHAMPTON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2020 AND 2019

NOTE 3 Deposits (Continued)

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 Pittsburgh and/or funds collateralized by the bank as dictated by a fee schedule approved by the Board of Directors.

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,	
	2020	2019
Job Creation Grant Program	\$ 265,308	\$ 361,253
Route 33 TIF District	4,452,586	3,799,779
Total	\$ 4,717,894	\$ 4,161,032

NOTE 5 Note Receivable

	August 31,	
	2020	2019
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

NOTE 6 Fees

During the years ended August 31, 2020 and 2019, the Authority received fees for administering a Tax Increment Financing (TIF) project, which is disclosed in Note 9.

NORTHAMPTON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2020 AND 2019

NOTE 6 Fees (Continued)

The fees generated from these activities were \$25,439 and \$25,428, respectively, and are based on 1% of the annual debt service due by these programs.

During the years ended August 31, 2020 and 2019, the Authority earned annual maintenance fee income of \$5,185 and \$1,800, respectively. The amount of the fees are calculated based on the original principal balance of the loan acquired by the borrower.

During the years ended August 31, 2020 and 2019, the Authority earned application fee income of \$3,000 and \$1,000, respectively.

During the years ended August 31, 2020 and 2019, the Authority earned service fee income of \$79,250 and \$500, respectively. Service fee income is based upon a certain percent of the total loan or grant amount.

During the year ended August 31, 2020, the Authority earned referral service fee income of \$75,200. Referral service fee income was earned as a result of the Organization acting as a conduit for financing for a project referred by the Northampton County General Purpose Authority (GPA). No similar activity occurred during the year ended August 31, 2019.

In connection with the referral service fee income included above, the Authority paid a referral service fee expense to the GPA equal to 50% of the fee earned. As such, for the year ended August 31, 2020, the Authority recorded a shared finance fee expense of \$37,600. No similar activity occurred during the year ended August 31, 2019.

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.

	<u>2020</u>	<u>2019</u>
Redevelopment Assistance Capital Program:		
Chrin Route 33 Interchange Development		
Capital Project	\$ 12,500	\$ 100,617
Redevelopment Assistance Capital Program		
subtotal:	<u>12,500</u>	<u>100,617</u>
Northampton County Job Creation Grant		
Program:		
Freshpet	100,000	0
Amazon	<u>0</u>	<u>100,000</u>
Northampton County Job Creation		
Grant Program subtotal	<u>100,000</u>	<u>100,617</u>
Total grant expense	<u>\$ 112,500</u>	<u>\$ 200,617</u>

NORTHAMPTON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2020 AND 2019

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, 2020, the Authority had received \$1,200,000 from the County and has cumulatively awarded \$954,793 to eligible applicants.

The remaining balances have been recorded as restricted cash and unearned grant revenue on the Statement of Net Position. The County has not contributed to the fund since fiscal year 2014.

NOTE 9 Tax Increment Financing Project

Route 33 TIF

In November of 2013, Northampton County, Easton Area School District, and Palmer Township entered into an intergovernmental cooperation agreement to assign the rights to certain incremental real estate taxes for 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.

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

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 to LVEDC for them to perform administrative duties. The agreement also required the Authority to submit a certain percent of all service fee income to LVEDC. The current quarterly fee is \$7,500 and the percent of service fee income is 50%.

For the years ended August 31, 2020 and 2019, total administrative fees recorded were \$100,645 and \$43,464, respectively.

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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, 2020 and 2019.

NOTE 12 Recent Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement amends criteria for identifying fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Statement No. 84 is effective for periods beginning after December 15, 2019.

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources (or outflows of resources) based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Statement No. 87 is effective for periods beginning after June 15, 2021.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Statement No. 91 is effective for periods beginning after December 15, 2021.

The Authority is currently evaluating what effect the adoption of GASB Statements No. 84, 87 and 91 will have on the Authority's financial statements.

NOTE 13 Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure in the financial statements through March 8, 2021, 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.