



RICHARD J. SZULBORSKI

CONTROLLER OF NORTHAMPTON COUNTY

NORTHAMPTON COUNTY COURTHOUSE
669 WASHINGTON STREET
EASTON, PENNSYLVANIA 18042

PAUL L. ALBERT, CIA
Audit Manager

MICHAEL P. SHAY, ESQ.
Solicitor

PHONE (610) 829-6615
FAX (610) 559-3137

**INDEPENDENT INTERNAL AUDITOR'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Members of the Northampton County Council
Lamont G. McClure, Jr., County Executive
County of Northampton, Pennsylvania

We have performed the procedures enumerated below, which were agreed to by County Council, on County properties approved for Keystone Opportunity Zone (KOZ) tax abatement. County management is responsible for implementing tax abatements for properties approved by the State. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

Procedures and Findings

1. **Procedure:** Obtain a list of parcels coded as KOZ in the County's IASWorld Tax Assessment System. Trace each parcel to original approval from County to enter the program, noting the year of expiration.

Findings: There are currently 31 properties eligible for tax abatement in the KOZ Program, 29 in the City of Easton and two in Wilson Borough. Original approval to enter the program was enacted by County Council on February 22, 2013. Eligibility for all properties expires on December 31, 2023. Tax abatement is not automatic, however. All property owners must reapply to the PA Department of Community and Economic Development (PA DCED) annually to continue to be eligible.

2. **Procedure:** Document improvements made on properties through evidence on hand in Assessment.

Findings: We consulted with the County Deputy Assessment Manager with regard to physical improvements made on properties. We found that not all properties that were approved by the PA DCED for tax abatement in 2017 had improvements documented by assessors in the IASWorld system since the County originally approved the properties for inclusion in the program in 2013. However, according to the Program Coordinator for the Lehigh Valley Economic Development Corporation (LVEDC), property improvements are not

the only criteria for annual KOZ approval by the PA DCED. Job creation is another factor. The County exonerates taxes when notice of approval is received from the State. The County has no responsibilities with regard to the annual approval process; therefore, the County cannot deny tax abatement for the lack of documented improvements if other criteria were met which resulted in approval by the PA DCED.

3. **Procedure:** Trace each property to an approval letter from the PA DCED to remain active in the program for the current year.

Findings: For tax year 2017, 22 approval letters were received in the Assessment Division for the 31 eligible properties. Five of these, however, were only applicable to school district taxes, not County taxes; therefore, the County did not need to take any action. These five properties were owned by the Easton Redevelopment Authority until mid-2017. Since the County bills on a calendar year basis, these properties were exempt for County taxes until 2018. The school district, however, bills on a different fiscal year and 2017 school taxes were due. As a result, the application was filed and approved. In addition, there were five properties for which taxes were not exonerated because no approval was received from the State. (Either the property owner did not apply or the State rejected the application.) There were also three additional properties within the KOZ zones that are automatically exempt because they are currently owned by the City of Easton or the Redevelopment Authority. No application to the State or tax abatement was necessary for these properties. One property was not separately taxable because it was a "common element" (in this case, a parking lot adjacent to condos at the Simon Silk Mill). Taxes are shared among related condos.

4. **Procedure:** Ensure that current tax has been either imposed or abated based on approval from the PA DCED. Calculate the total tax abated for each property.

Findings: We traced all properties to records in the IASWorld system. In all cases where an approval letter was received from PA DCED, taxes were properly abated. For the five non-exempt properties noted in **Procedure 3** for which the County did not receive approval letters, we found that County taxes were imposed and paid in full for four of these properties. The fifth property was also approved for tax abatement under the Local Economic Revitalization Tax Assistance Act (LERTA). No taxes were due in 2017 for this property under that program. The total base tax exonerated for all KOZ properties in 2017 was \$15,796.99.

We conducted this agreed-upon procedures engagement in accordance with generally accepted government auditing standards. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on County properties approved for Keystone Opportunity Zone (KOZ) tax abatement. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the management of the County of Northampton, Pennsylvania and is not intended to be and should not be used by anyone other than these specified parties.



Richard J. Szulborski
County Controller

January 28, 2019



Anthony D. Sabino, CIA
Lead Auditor

cc: S. Barron, Director of Fiscal Affairs
C. Johnson, Assessment Manager