

**COUNTY OF NORTHAMPTON,  
PENNSYLVANIA**

**Financial Statements**

**Year Ended December 31, 2016**

**COUNTY OF NORTHAMPTON**  
**YEAR ENDED DECEMBER 31, 2016**

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## Independent Auditor's Report

County Council  
County of Northampton  
Easton, Pennsylvania

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of County of Northampton, Pennsylvania (the County) as of and for the year ended December 31, 2016, 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 did not audit the financial statements of Northampton County General Purpose Authority, a discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Northampton County General Purpose Authority, is based solely on the report of the other auditors. 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.

The financial statement of Northampton County General Purpose Authority were not audited in accordance with *Government Auditing Standards*.

## **Auditor's Responsibility (continued)**

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, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of County of Northampton, Pennsylvania, as of December 31, 2016, 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.

## **Other Matter - Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the County's net pension liability and related ratios, schedule of County contributions, schedule of investment returns, schedule of funding progress, schedule of employer contributions and budgetary comparison information (as listed in the table of contents) 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 County of Northampton, Pennsylvania's basic financial statements. The combining nonmajor governmental funds financial statements, combining nonmajor special revenue funds financial statements, and combining capital projects funds financial statements (as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

### **Other Information (continued)**

The combining nonmajor governmental funds financial statements, combining nonmajor special revenue funds financial statements and combining capital projects funds financial statements (as listed in the table of contents) is the responsibility of management and was derived from and relates 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 governmental funds financial statements, combining nonmajor special revenue funds financial statements, and combining capital projects funds financial statements (as listed in the table of contents) are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report, dated April 28, 2017, on our consideration of the County'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 the County's internal control over financial reporting and compliance.

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April 28, 2017  
Lancaster, Pennsylvania

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

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This section of the County of Northampton's annual financial report presents our discussion and analysis of the County's financial performance during the year that ended on December 31, 2016. Please read it in conjunction with the County's financial statements that follow this section.

### **FINANCIAL HIGHLIGHTS**

- The assets of the County of Northampton exceeded liabilities at the end of the year by \$84.1 million (*net position*).
- The County is reporting a deficit in the unrestricted portion of net position of \$1.4 million as of December 31, 2016. The unrestricted portion of net position is the assets which may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$19.4 million. In addition to the governmental fund balance increase of \$7.2 million explained below, the County paid down \$8.4 million of long term debt.
- At the close of 2016 the County's governmental funds reported an ending fund balance of \$89.5 million, an increase of \$7.2 million. This is primarily due to the following increases:
  - Approximately \$3 million of intergovernmental revenue at the Gracedale nursing home related to prior year Medical Assistance claims that were pending and not included in accounts receivable at December 31, 2015.
  - \$2.4 million of intergovernmental revenue at the Gracedale nursing home as a result of an Intergovernmental Transfer Agreement (IGT) with the Pennsylvania Department of Human Services.
  - Tax base growth generated approximately \$1 million in additional general fund tax revenue.
  - Proceeds of \$800,000 from the sale of Gracedale nursing home bed licenses.
  - Approximately \$600,000 in unexpended Act 13 and Act 44 revenues in the Bridges special revenue fund.
  - Approximately \$600,000 in unexpended table games revenue in the Gaming special revenue fund.
- At the end of 2016, the unassigned fund balance, that which is available for spending at the government's discretion in the general fund, was \$10.4 million, or 10.8% of total general fund expenditures. The unassigned fund balance remained consistent with 2015.
- Total debt decreased \$8.4 million (5.8%) during 2016. This decrease is attributed to a reduction in the principal balance of general long-term obligations, lease rental debt and GESA financing

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the County of Northampton's basic financial statements. The County's basic financial statements are comprised of three parts: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### **Government-wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the County of Northampton's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County of Northampton is improving or deteriorating.

The *statement of activities* presents information showing how the County's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in this



statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of these statements distinguish functions of the County of Northampton that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County of Northampton include general government, court operations, corrections, recreation, public works, bridges, and human services.

The government-wide financial statements include not only the County of Northampton itself (known as the *primary government*), but also a legally separate general-purpose authority (known as the component unit). The Northampton County General Purpose Authority, although legally separate, functions for all practical purposes as a department of the County of Northampton, and therefore has been included as an integral part of the primary government. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

### **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County of Northampton, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County of Northampton can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

#### ***Governmental Funds***

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County of Northampton reports 24 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, Children, Youth and Families, Gracedale Nursing Home fund and HealthChoices fund, all of which are considered major funds. Data for the three capital projects funds (the Capital Improvements fund, 2009 Bond Issue fund and the 2013 Bond Issue fund) are combined into a single, aggregate presentation. Data from the other 17 funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County of Northampton adopts an annual appropriated budget for its general fund and special revenue funds. Project length budgets are adopted for capital projects funds. A budgetary comparison statement has been provided for the general fund and major special revenue funds to demonstrate compliance with this budget.

#### ***Proprietary Funds***

The County of Northampton maintains one type of proprietary fund, an internal service fund. These funds are accounting devices used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for employee fringe benefits (healthcare, prescription, vision, and dental coverage), professional liability, and prison inmate liability. Since these services benefit governmental functions, they are included within governmental activities in the government-wide financial statements.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the self-insurance program.

### ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the County of Northampton's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the County of Northampton's progress in funding its obligation to provide pension benefits to its employees and other post-employment benefits.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County of Northampton, assets exceeded liabilities by \$84.1 million at the close of 2016.

A large portion of the County of Northampton's net position of \$51.9 million (61.7%) reflects its investment in capital assets (e.g., land and land improvements, buildings and building improvements, machinery and equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The County of Northampton uses these capital assets to provide services to citizens; consequently these assets are *not* available for future spending. Although the County of Northampton's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the County of Northampton's net position of \$33.6 million (40%) represents resources that are subject to external restrictions on how they may be used. At the end of 2016, the County of Northampton is reporting a deficit in unrestricted net position of \$1.4 million.

#### **County of Northampton Net Position Governmental Activities**

	<b>2016</b>	<b>2015</b>	<b>Change</b>	<b>Total Percentage Change 2015-2016</b>
Current and other assets	\$ 143,926,871	\$ 124,613,160	\$ 19,313,711	15.5%
Capital assets	166,155,310	168,190,271	(2,034,961)	(1.2%)
<b>Total assets</b>	<b>310,082,181</b>	<b>292,803,431</b>	<b>17,278,750</b>	<b>5.9%</b>
Deferred outflow of resources - NPL	17,430,762	21,348,055	(3,917,293)	(18.3%)
<b>Total assets and deferred outflows</b>	<b>327,512,943</b>	<b>314,151,486</b>	<b>13,361,457</b>	
Long-term liabilities outstanding	197,535,682	208,598,296	(11,062,614)	(5.3%)
Other liabilities	45,851,993	40,867,329	4,984,664	12.2%
<b>Total liabilities</b>	<b>243,387,675</b>	<b>249,465,625</b>	<b>(6,077,950)</b>	<b>(2.4%)</b>
Net position:				
Net Investment in capital assets	51,909,155	49,805,241	2,103,914	4.2%
Restricted	33,567,585	29,076,846	4,490,739	15.4%
Unrestricted	(1,351,472)	(14,196,226)	12,844,754	(90.5%)
<b>Total net position</b>	<b>\$ 84,125,268</b>	<b>\$ 64,685,861</b>	<b>\$ 19,439,407</b>	<b>30.1%</b>

**County of Northampton Changes in Net Position  
Governmental Activities**

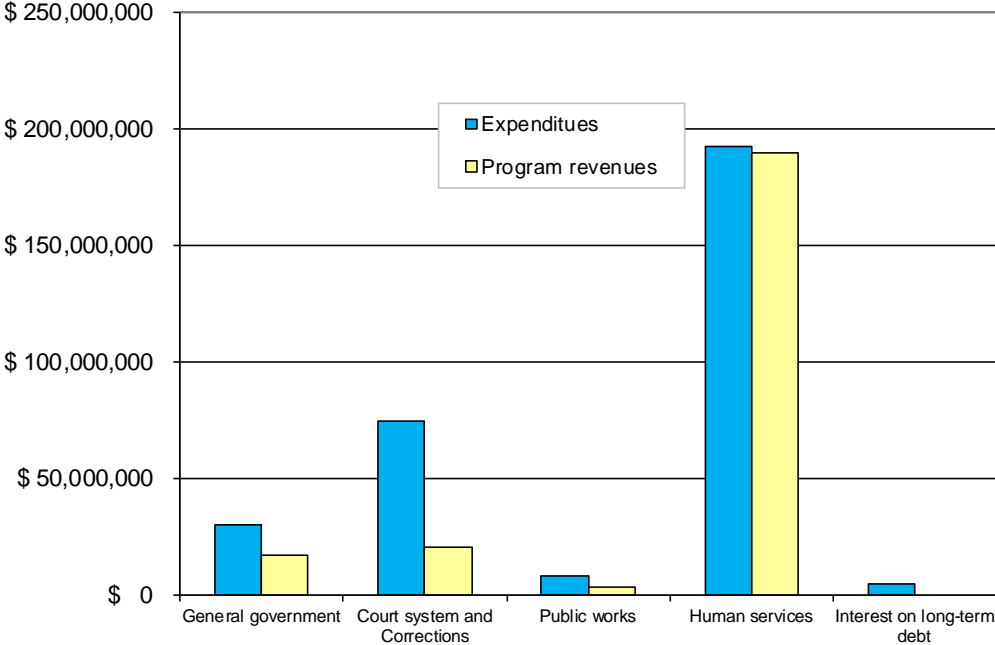
	<u>2016</u>	<u>2015</u>	<u>Change</u>	<u>Total Percentage Change 2015-2016</u>
<b>Revenues:</b>				
Program revenues:				
Charges for services	\$ 40,366,775	\$ 37,678,615	\$ 2,688,160	7.1%
Operating grants and contributions	191,288,996	159,949,334	31,339,662	19.6%
General revenues:				
Real estate tax	95,534,209	94,651,908	882,301	0.9%
Hotel tax	2,547,973	2,456,004	91,969	3.7%
Unrestricted investment earnings	810,836	309,211	501,625	162.2%
Gain on sale of assets	10,488	8,282	2,206	26.6%
<b>Total revenues</b>	<b><u>330,559,277</u></b>	<b><u>295,053,354</u></b>	<b><u>35,505,923</u></b>	<b>12.0%</b>
<b>Expenses:</b>				
General government	30,101,027	29,597,282	503,745	1.7%
Court system and corrections	74,757,679	73,934,502	823,177	1.1%
Public works	8,749,720	6,286,054	2,463,666	39.2%
Human services	192,402,124	169,597,551	22,804,573	13.4%
Capital projects	8,511	871	7,640	-
Interest on long-term debt	5,100,809	5,404,350	(303,541)	(5.6%)
<b>Total expenses</b>	<b><u>311,119,870</u></b>	<b><u>284,820,610</u></b>	<b><u>26,299,260</u></b>	<b>9.2%</b>
<b>Increase in net position</b>	<b>19,439,407</b>	<b>10,232,744</b>	<b>9,206,663</b>	<b>90.0%</b>
<b>Net position - January 1, restated</b>	<b><u>64,685,861</u></b>	<b><u>54,453,117</u></b>	<b><u>10,232,744</u></b>	<b>18.8%</b>
<b>Net position - December 31</b>	<b><u>\$ 84,125,268</u></b>	<b><u>\$ 64,685,861</u></b>	<b><u>\$ 19,439,407</u></b>	<b>30.1%</b>

The County's total revenue from governmental activities increased by 12% to \$330.6 million. The majority of this increase is due to an Intergovernmental Transfer Agreement (IGT) with Pennsylvania Department of Human Services at the Gracedale nursing home and program expansions in HealthChoices. Of the County's total revenue, 57.9% is received from the federal and state governments in the form of grants, the majority of which are recorded in the special revenue funds. (See the pie chart on the next page.) Another 29.7% is received as tax revenue in the general and hotel room rental tax funds, and 12.2% is from fees, fines and charges for services.

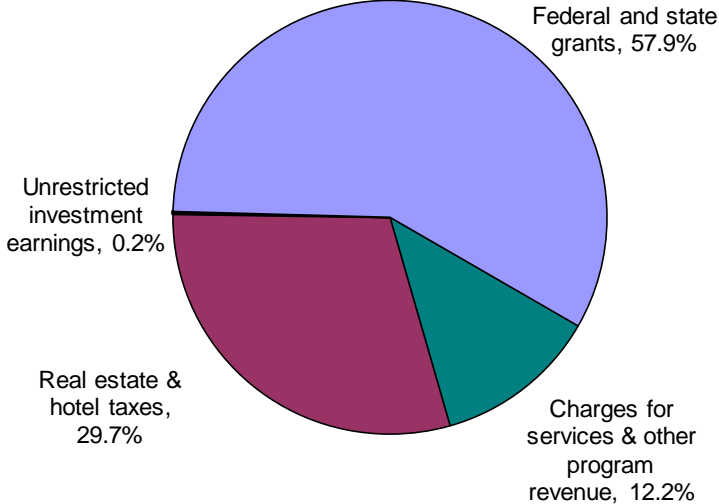
The real estate tax revenue increase is primarily due to tax base growth.

The County's expenditures cover a range of services and increased 9.2% to \$311.1 million. Approximately 85.9% of expenditures relate to the human services and court system and correction programs. The increase in public works expenditures is mainly due to costs related to the replacement of County Bridge 102 located in Lower Nazareth Township. The majority of expenses related to this bridge are funded by federal and state intergovernmental reimbursement grants.

**Program Revenues by Source – Governmental Activities**



**Revenues by Source – Governmental Activities**



## **FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS**

As noted earlier, the County of Northampton uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the County of Northampton's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of 2016.

- As of the end of 2016, the County of Northampton's governmental funds reported combined ending fund balances of \$89.5 million, an increase of \$7.2 million (8.8%).
- The general fund *unassigned fund balance* of \$10.4 million represents assets which may be used to meet the government's ongoing obligations to citizens and creditors. The *unassigned fund balance* remained consistent with 2015.
- The general fund *assigned fund balance* of \$8 million is to balance the 2017 adopted budget, and decreased \$2.3 million from 2015. The reduction in funds required to balance the subsequent year budget is due to the administration's continued focus on expenditure reduction and cash flow management.
- The general fund *committed fund balance* of \$13.7 million represents amounts held for financial stabilization. This balance increased \$3.6 million from 2015 as the administration continues to build financial reserves.
- Other *committed fund balances* primarily represent funds held for the anticipated purchase of the Human Services building in 2019 (\$13.6 million) and Open Space projects (\$4 million).
- The *restricted* fund balance is not available for new spending because it has already been restricted to 1) specific special revenue funds for their designated purposes (\$30.7 million) or 2) bond-financed capital construction projects (\$5.8 million).
- The *non-spendable fund balance* of \$1 million, initiated by a donation from the Hugh Moore Trust, was established to generate income for the maintenance of Louise Moore Park.

The general fund is the primary operating fund of the County of Northampton. At the end of 2016, the general fund unassigned fund balance was \$10.4 million, with a total fund balance of \$32 million. As a measure of general fund liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 10.8% of total general fund expenditures, while total fund balance represents 33.5% of the same amount.

- The County of Northampton's general fund balance increased \$1.6 million during 2016 primarily due to lower than anticipated county contributions to special revenue funds, increase in real estate tax revenues due to a growing tax base, partially offset by increases in expenditures.
- County contribution to the Gracedale Nursing Home special revenue fund was lower than anticipated most notably as follows:
  - Approximately \$3 million intergovernmental revenue related to prior year Medical Assistance claims that were pending and not included in accounts receivable as of December 31, 2015.
  - \$2.4 million intergovernmental revenue as a result of an Intergovernmental Transfer Agreement (IGT) with Pennsylvania Department of Human Services.
  - Proceeds of \$800,000 from the sale of nursing home bed licenses.
- County contribution to the Juvenile Justice Center was less than anticipated due to increased inter-county juvenile revenue, as well as less than anticipated costs for adjudicated care.
- The capital projects fund balance increased \$2.7 million mainly due to a \$3.5 million transfer from the general fund to the Capital improvements fund in anticipation of purchasing the Human Services Building in 2019.

### **General Fund Budgetary Highlights**

During 2016 there was a \$2 million decrease between the original and final amended budget, including transfers in the General fund. This decrease was primarily due to the following:

- A \$3 million decrease in the budgeted county contribution to the Gracedale nursing home.
- A \$3.8 million increase of budgeted intergovernmental revenue and corresponding public works expenditures related to the replacement of County Bridge 102 located in Lower Nazareth Township. The majority of expenses related to this bridge are funded by federal and state intergovernmental reimbursement grants.
- All other General Fund budget revisions were negligible in both the revenue and expenditure categories.

Significant variances between the final amended budget and actual expenditures are as follows:

- County contribution to the Gracedale Nursing Home special revenue fund was less than budgeted due to:
  - Approximately \$3 million intergovernmental revenue related to prior year Medical Assistance claims that were pending and not included in accounts receivable as of December 31, 2015.
  - \$2.4 million intergovernmental revenue as a result of an Intergovernmental Transfer Agreement (IGT) with Pennsylvania Department of Human Services.
  - Proceeds of \$800,000 from the sale of nursing home bed licenses.
- County contribution to the Juvenile Justice Center was less than budgeted due to increased inter-county juvenile revenue, as well as less than anticipated costs for adjudicated care.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The County of Northampton's investment in capital assets for its governmental activities as of December 31, 2016, amounts to \$166.2 million (net of accumulated depreciation), a decrease of 1.2%. This investment in capital assets includes land and land improvements, buildings and building improvements, machinery and equipment, and infrastructure. Construction in progress consists mainly of the replacement of County Bridge 102 located in Lower Nazareth Township, restoration of the courthouse parking deck and Voice Over Internet Protocol (VOIP) implementation.

Major capital asset events during the current year included the following:

- Replacement of County Bridge 187 located in Lower Nazareth Township, \$559,100
- Replacement of County Bridge 103 located in Lower Nazareth Township, \$495,000
- Rehabilitation of County Bridge 72 located in Bushkill Township, \$289,700

#### County of Northampton Capital Assets (net of depreciation) Governmental Activities

	<u>2016</u>	<u>2015</u>	<u>Change</u>	<u>Total Percentage Change 2015-2016</u>
Land	\$ 12,169,985	\$ 12,169,985	\$ -	-
Land improvements	6,103,929	6,218,763	(114,834)	(1.8%)
Buildings and improvements	119,185,659	124,490,098	(5,304,439)	(4.3%)
Machinery and equipment	13,628,103	14,459,259	(831,156)	(5.7%)
Infrastructure	10,711,989	9,290,724	1,421,265	15.3%
Construction in progress	4,355,645	1,561,442	2,794,203	179.0%
<b>Total</b>	<b><u>\$ 166,155,310</u></b>	<b><u>\$ 168,190,271</u></b>	<b><u>\$ (2,034,961)</u></b>	<b><u>(1.2%)</u></b>

More detailed information about the County's capital assets is presented in Note 6 of this report.

## Long-term Debt

At the end of 2016 the County of Northampton had total bonded and note debt outstanding of \$136.4 million, of which the entire amount is backed by the full faith and credit of the government.

### **County of Northampton Outstanding Debt General Obligation, Lease Rental Bonds, GESA Financing and Capital Lease Financing Governmental Activities**

	<u>2016</u>	<u>2015</u>	<u>Change</u>	<u>Total Percentage Change 2015-2016</u>
General long-term obligations	\$ 91,165,000	\$ 93,865,000	\$ (2,700,000)	(2.9%)
Lease rental debt	7,770,000	11,375,000	(3,605,000)	(31.7%)
Total bond debt	98,935,000	105,240,000	(6,305,000)	(6.0%)
Bond premium	10,009,355	10,820,954	(811,599)	(7.5%)
Bond discount	(1,096,594)	(1,180,195)	83,601	(7.1%)
GESA payable:				
GESA financing	14,036,490	15,400,907	(1,364,417)	(8.9%)
Capital lease payable:				
Capital lease building	14,468,731	14,468,731	-	-
<b>Total</b>	<b><u>\$ 136,352,982</u></b>	<b><u>\$ 144,750,397</u></b>	<b><u>\$ (8,397,415)</u></b>	<b><u>(5.8%)</u></b>

Total debt decreased \$8.4 million (5.8%) during 2016. This decrease is attributed to a reduction in the principal balance of general long-term obligations, lease rental debt and GESA financing.

The County received a bond rating of "AA" from Standard and Poor's Rating Services for the 2009, 2012 and 2013 general obligation bond issues and on the 2003 Northampton County General Purpose Authority revenue bonds.

The amount of indebtedness a county may incur is limited by Pennsylvania law to 300% (non-electoral), and 400% (net non-electoral and lease rental) of a three-year average of the total revenue received, exclusive of governmental grants for a specific purpose. The County of Northampton's non-electoral debt limit at December 31, 2016 was \$797 million, and the total debt outstanding was \$100.1 million, well below the legal debt limit. The County's net non-electoral and lease rental debt limit at December 31, 2016 was \$1,059.8 million, and the total debt outstanding was \$136.4 million, well below the legal debt limit.

Additional information on the County of Northampton's long-term debt can be found in Note 7 of this report.



## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- The 2016 local unemployment rate for the County of Northampton was 5.3% versus 5.2% a year ago. At the end of 2016, the County's rate was lower than the Commonwealth of Pennsylvania's rate of 5.4%, but higher than the national rate of 4.9%.
- The County of Northampton is situated between the New York City and Philadelphia metropolitan statistical areas and its inflation rate reflects those areas:
  - The average New York City region rate was 1.077%,
  - The average Philadelphia region rate was .587%,
  - The national rate was 1.262%.

All of these factors were considered in preparing the County of Northampton's budget for 2017.

- At the end of 2016, unassigned fund balance in the general fund was \$10.4 million. Subsequently, the County of Northampton has appropriated \$8 million for spending in the 2017 budget year. It is intended that this use of available fund balance will avoid the need to increase taxes or fees and charges for the 2017 budget year for the operating budgets.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County of Northampton's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional information, contact the County of Northampton, Director of Fiscal Affairs, 669 Washington Street, Easton, PA 18042-7471. This document is also available on the County's website at [www.northamptoncounty.org](http://www.northamptoncounty.org).

Complete audited financial statements for the Northampton County General Purpose Authority may be obtained by contacting the County of Northampton, Department of Community and Economic Development, 669 Washington Street, Easton, PA 18042-7499.

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# **Basic Financial Statements**

**COUNTY OF NORTHAMPTON, PENNSYLVANIA**  
**Statement of Net Position**  
**December 31, 2016**

	<b>Primary Government</b>	<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Unit</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 75,006,274	\$ 2,443,612
Investments	42,211,906	-
Receivables:		
Real estate taxes	5,854,152	-
Interest and dividends	88,281	-
Other	4,383,433	204,582
Due from other governments	16,249,397	-
Other assets	133,428	-
Capital assets:		
Land and construction in progress	16,525,630	532,037
Other capital assets, net of depreciation	149,629,680	-
Total capital assets	166,155,310	532,037
Total assets	310,082,181	3,180,231
<b>DEFERRED OUTFLOW OF RESOURCES</b>		
Change in net pension liability	17,430,762	-
<b>TOTAL ASSETS and DEFERRED OUTFLOW OF RESOURCES</b>	<b>327,512,943</b>	<b>3,180,231</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	21,467,104	359,161
Due to other governments	1,199,059	-
Unearned revenue	1,504,494	-
Other liabilities	9,434,302	-
Compensated absences:		
Due within one year	887,000	-
Due in more than one year	6,762,385	-
Accrued self-insurance claims:		
Due within one year	2,567,474	-
Due in more than one year	5,345,895	-
Long-term obligations payable:		
Due within one year	8,792,560	-
Due in more than one year	127,560,422	-
Net Pension Liability	57,866,980	-
Total liabilities	243,387,675	359,161
<b>NET POSITION</b>		
Net investment in capital assets	51,909,155	427,097
Restricted for:		
General Purpose Authority	-	1,000,000
County nursing home	1,669,862	-
Community and economic development	1,465,666	-
County wide surveys and studies	405,423	-
Drug and alcohol programs	586,869	-
Emergency services	50,806	-
Environmental projects	1,818,070	-
Future gaming grants	2,738,748	-
Future hotel tax grants	207,658	-
Bridge repairs and replacement	2,709,759	-
Louise Moore Park projects	1,393,027	-
Records improvements	846,702	-
Behavioral health programs	16,845,644	-
Workers compensation claims	1,829,351	-
Hugh Moore Trust, nonexpendable	1,000,000	-
Unrestricted (deficit)	(1,351,472)	1,393,973
Total net position	<b>\$ 84,125,268</b>	<b>\$ 2,821,070</b>

The notes to the financial statements are an integral part of this statement.

**COUNTY OF NORTHAMPTON, PENNSYLVANIA**  
**Statement of Activities**  
**For the Year Ended December 31, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Indirect Expense Allocation</u>	<u>Program Revenues</u>	
			<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 32,754,288	\$ (2,653,261)	\$ 14,132,878	\$ 3,412,994
Court system and corrections	73,879,236	878,443	11,393,202	9,310,689
Public works	10,181,692	(1,431,972)	101,584	3,227,246
Human services	189,195,334	3,206,790	14,739,111	175,338,067
Capital projects	8,511	-	-	-
Interest on long-term debt	5,100,809	-	-	-
Total primary government	<u>\$ 311,119,870</u>	<u>\$ -</u>	<u>\$ 40,366,775</u>	<u>\$ 191,288,996</u>
<b>Component unit:</b>				
General purpose authority	<u>\$ 622,786</u>		<u>\$ 885,835</u>	<u>\$ 500,000</u>

General revenues:  
Real estate tax  
Hotel room rental tax  
Unrestricted investment earnings  
Gain on sale of capital assets  
Total general revenues and special items  
Change in net position  
Net position - January 1, restated  
Net position - December 31

The notes to the financial statements are an integral part of this statement.

**Net (Expense) Revenue and  
Changes in Net Position**

<u>Governmental Activities</u>	<u>Component Unit</u>
\$ (12,555,155)	\$ -
(54,053,788)	-
(5,420,890)	-
(2,324,946)	-
(8,511)	-
(5,100,809)	-
<u>\$ (79,464,099)</u>	<u>\$ -</u>

<u>\$ -</u>	<u>\$ 763,049</u>
-------------	-------------------

\$ 95,534,209	\$ -
2,547,973	-
810,836	4,370
10,488	-
<u>98,903,506</u>	<u>4,370</u>
19,439,407	767,419
64,685,861	2,053,651
<u>\$ 84,125,268</u>	<u>\$ 2,821,070</u>

**COUNTY OF NORTHAMPTON, PENNSYLVANIA**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2016**

	<b>General</b>	<b>Children, Youth and Families</b>	<b>Capital Projects Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 13,899,036	\$ 29,166	\$ 10,918,959
Investments	26,210,032	-	8,573,820
Receivables:			
Taxes	5,665,822	-	-
Interest and dividends	38,238	-	32,702
Other	1,172,280	-	-
Due from other funds	9,040,740	986,754	2,741,069
Due from other governments	-	3,463,103	-
Other assets	-	-	-
Total assets	\$ 56,026,148	\$ 4,479,023	\$ 22,266,550
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 5,848,119	\$ 2,629,161	\$ 583,096
Due to other funds	12,765,942	-	500
Due to other governments	-	563,309	-
Unearned revenue	-	239,244	-
Other liabilities	367,942	50,000	-
Total liabilities	18,982,003	3,481,714	583,596
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	5,017,514	997,309	-
Total deferred inflows of resources	5,017,514	997,309	-
<b>FUND BALANCE</b>			
Non-spendable:			
Permanent fund principal	-	-	
Spendable:			
Restricted for:			
County nursing home	-	-	
Community and economic development	-	-	-
County wide surveys and studies	-	-	-
Drug and alcohol programs			
Emergency services	-	-	-
Environmental projects	-		
Future gaming grants	-	-	-
Future tourism grants	-	-	-
Bridge repairs and replacement	-	-	-
Louise Moore Park projects	-	-	-
Records improvements	-	-	-
Behavioral health programs	-	-	-
Bond financed improvements	-	-	5,840,347
Committed to:			
Financial stabilization	13,656,596	-	-
Open space projects	-	-	-
Capital construction	-	-	15,842,607
Assigned to:			
Subsequent years budget	7,989,527	-	-
Unassigned:			
Other	10,380,508	-	-
Total fund balances	32,026,631	-	21,682,954
Total liabilities, deferred inflows of resources and fund balances	\$ 56,026,148	\$ 4,479,023	\$ 22,266,550

The notes to the financial statements are an integral part of this statement.

<b>Gracedale Nursing Home</b>	<b>HealthChoices</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 2,000	\$ 26,410,884	\$ 15,757,634	\$ 67,017,679
-	-	1,365,137	36,148,989
-	-	188,330	5,854,152
-	-	987	71,927
1,181,957	29,264	1,999,932	4,383,433
-	-	8,783,237	21,551,800
10,989,105	-	1,797,189	16,249,397
-	33,428	-	33,428
<u>\$ 12,173,062</u>	<u>\$ 26,473,576</u>	<u>\$ 29,892,446</u>	<u>\$ 151,310,805</u>
\$ 2,318,657	\$ 32,060	\$ 8,560,134	\$ 19,971,227
6,309,994	135,148	2,595,098	21,806,682
-	444,364	191,386	1,199,059
-	-	1,265,248	1,504,492
-	9,016,360	-	9,434,302
<u>8,628,651</u>	<u>9,627,932</u>	<u>12,611,866</u>	<u>53,915,762</u>
1,874,549	-	-	7,889,372
<u>1,874,549</u>	<u>-</u>	<u>-</u>	<u>7,889,372</u>
-	-	1,000,000	1,000,000
1,669,862	-	-	1,669,862
-	-	1,465,666	1,465,666
-	-	405,423	405,423
-	-	586,869	586,869
-	-	50,806	50,806
-	-	1,818,070	1,818,070
-	-	2,738,748	2,738,748
-	-	207,658	207,658
-	-	2,709,759	2,709,759
-	-	1,393,027	1,393,027
-	-	846,702	846,702
-	16,845,644	-	16,845,644
-	-	-	5,840,347
-	-	-	13,656,596
-	-	4,057,852	4,057,852
-	-	-	15,842,607
-	-	-	7,989,527
-	-	-	10,380,508
<u>1,669,862</u>	<u>16,845,644</u>	<u>17,280,580</u>	<u>89,505,671</u>
<u>\$ 12,173,062</u>	<u>\$ 26,473,576</u>	<u>\$ 29,892,446</u>	<u>\$ 151,310,805</u>



**COUNTY OF NORTHAMPTON, PENNSYLVANIA**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**December 31, 2016**

Total <i>fund balances</i> for governmental funds		\$ 89,505,671
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	\$ 12,169,985	
Construction in progress	4,355,645	
Land improvements, net of \$6,667,144 accumulated depreciation	6,103,929	
Buildings and improvements, net of \$90,263,275 accumulated depreciation	119,185,659	
Machinery and equipment, net of \$31,704,756 accumulated depreciation	13,628,103	
Infrastructure, net of \$5,549,374 accumulated depreciation	10,711,989	
Total capital assets		166,155,310
Some of the County's real estate taxes and intergovernmental revenue will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources in the funds.		
		7,889,370
Internal service funds are used by the County to charge the costs of healthcare, worker's compensation and professional liability insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		
		6,274,042
Deferred outflows related to pension are not financial resources and therefore are not reported in the governmental funds.		
		17,430,762
Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities--both current and long-term--are reported in the statement of net position.		
Balances at December 31, 2016 are:		
Accrued interest on bonds	(1,260,540)	
Bonds and notes payable	(98,935,000)	
Capital leases payable	(14,468,731)	
GESA payable	(14,036,490)	
Compensated absences	(7,649,385)	
Net pension liability	(57,866,980)	
Unamortized discount	1,096,594	
Unamortized premium	(10,009,355)	
Total long-term liabilities		(203,129,887)
Net position of governmental activities		\$ 84,125,268

The notes to the financial statements are an integral part of this statement.

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**COUNTY OF NORTHAMPTON, PENNSYLVANIA**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2016**

	<u>General</u>	<u>Children, Youth and Families</u>	<u>Capital Projects Funds</u>
<b>REVENUES</b>			
Taxes	\$ 96,019,519	\$ -	\$ -
Intergovernmental	5,279,566	26,166,332	-
Fees, fines, charges and miscellaneous	13,173,913	2,445,117	-
Investment income	<u>380,882</u>	<u>-</u>	<u>75,243</u>
Total revenues	<u>114,853,880</u>	<u>28,611,449</u>	<u>75,243</u>
<b>EXPENDITURES</b>			
Current:			
General government	16,022,000	-	-
Court system and corrections	60,580,106	7,316,432	-
Public works	7,767,317	-	-
Human services	1,863,561	27,412,260	-
Capital projects	-	-	4,628,211
Debt service:			
Principal	5,312,038	666,561	-
Interest	<u>4,153,793</u>	<u>219,254</u>	<u>-</u>
Total expenditures	<u>95,698,815</u>	<u>35,614,507</u>	<u>4,628,211</u>
Excess (deficiency) of revenues over (under) expenditures	<u>19,155,065</u>	<u>(7,003,058)</u>	<u>(4,552,968)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	1,107,459	7,003,058	7,253,900
Transfers out	<u>(18,686,302)</u>	<u>-</u>	<u>(9,670)</u>
Total other financing sources (uses)	<u>(17,578,843)</u>	<u>7,003,058</u>	<u>7,244,230</u>
Net change in fund balances	1,576,222	-	2,691,262
Fund balances -- January 1,	<u>30,450,409</u>	<u>-</u>	<u>18,991,692</u>
Fund balances -- December 31	<u>\$ 32,026,631</u>	<u>\$ -</u>	<u>\$ 21,682,954</u>

The notes to the financial statements are an integral part of this statement.

<b>Gracedale Nursing Home</b>	<b>HealthChoices</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ 2,547,973	\$ 98,567,492
62,104,493	60,037,061	34,829,686	188,417,138
13,739,017	-	9,077,824	38,435,871
-	94,982	175,208	726,315
<u>75,843,510</u>	<u>60,132,043</u>	<u>46,630,691</u>	<u>326,146,816</u>
-	-	13,098,969	29,120,969
-	-	4,947,022	72,843,560
-	-	996,014	8,763,331
72,280,084	60,551,723	28,621,513	190,729,141
-	-	-	4,628,211
1,320,791	-	370,027	7,669,417
572,773	-	226,964	5,172,784
<u>74,173,648</u>	<u>60,551,723</u>	<u>48,260,509</u>	<u>318,927,413</u>
<u>1,669,862</u>	<u>(419,680)</u>	<u>(1,629,818)</u>	<u>7,219,403</u>
-	-	4,550,244	19,914,661
-	-	(1,218,689)	(19,914,661)
-	-	3,331,555	-
1,669,862	(419,680)	1,701,737	7,219,403
-	17,265,324	15,578,843	82,286,268
<u>\$ 1,669,862</u>	<u>\$ 16,845,644</u>	<u>\$ 17,280,580</u>	<u>\$ 89,505,671</u>

**COUNTY OF NORTHAMPTON, PENNSYLVANIA**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended December 31, 2016**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 7,219,403
Governmental funds report capital outlays 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. This is the amount by which depreciation (\$9,781,556) exceeded capital outlays (\$7,746,595) in the current period, net of disposals.	(2,034,961)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. This amount is the increase in unavailable revenue.	2,386,548
The issuance of long-term debt (e.g., bonds, capital leases) 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. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	8,397,415
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(91,104)
The difference between current year pension expense reported in the statement of activities and the current year pension contributions reported as expenditures in the governmental funds.	(1,408,929)
Internal service funds are used by management to charge the costs of employee fringe benefits, worker's compensation and professional liability to individual funds. The net revenue of healthcare, vision and prescription, worker's compensation, professional liability and inmate medical internal service funds is reported with governmental activities.	<u>4,971,035</u>
Change in net position of governmental activities	<u>\$ 19,439,407</u>

The notes to the financial statements are an integral part of this statement.

**COUNTY OF NORTHAMPTON, PENNSYLVANIA**  
**Statement of Net Position**  
**Proprietary Fund**  
**December 31, 2016**

	<b>Governmental Activities</b> <hr/> <b>Internal Service Fund</b> <hr/>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 7,988,595
Investments	6,062,917
Receivables:	
Interest and dividends	16,354
Due from other funds	254,882
Other assets	100,000
Total assets	<u>14,422,748</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	235,337
Accrued self-insurance claims	<u>2,567,474</u>
Total current liabilities	<u>2,802,811</u>
Noncurrent liabilities:	
Accrued self-insurance claims	<u>5,345,895</u>
Total noncurrent liabilities	<u>5,345,895</u>
Total liabilities	<u>8,148,706</u>
<b>NET POSITION</b>	
Restricted for workers' compensation claims	1,829,351
Unrestricted	<u>4,444,691</u>
Total net position	<u>\$ 6,274,042</u>

The notes to the financial statements are an integral part of this statement.

**COUNTY OF NORTHAMPTON, PENNSYLVANIA**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Fund**  
**For the Year Ended December 31, 2016**

	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 28,006,692
Total operating revenues	28,006,692
<b>OPERATING EXPENSES</b>	
Insurance claims and expenses	21,333,116
Administrative expenses	1,787,062
Total operating expenses	23,120,178
Operating income	4,886,514
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment earnings	72,159
Net depreciation in fair value of investments	12,362
Total nonoperating revenues	84,521
Change in net position	4,971,035
Net position -- January 1	1,303,007
Net position -- December 31	\$ 6,274,042

The notes to the financial statements are an integral part of this statement.

**COUNTY OF NORTHAMPTON, PENNSYLVANIA**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended December 31, 2016**

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from benefits charges	\$ 28,006,692
Payments for administration expenses	(1,787,062)
Payments for benefits	<u>(22,281,129)</u>
Net cash provided by operating activities	<u>3,938,501</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from sales and maturities of investments	7,428,000
Purchase of investments	(5,157,773)
Interest and dividends received	<u>67,629</u>
Net cash provided by investing activities	<u>2,337,856</u>
Net increase in cash and cash equivalents	6,276,357
Cash and cash equivalents -- January 1	<u>1,712,238</u>
Cash and cash equivalents -- December 31	<u>\$ 7,988,595</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 4,886,514
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Other assets	100,000
Accounts and other payables	(17,816)
Due to other funds	(372,233)
Accrued self-insurance claims	<u>(657,964)</u>
Net cash provided by operating activities	<u>\$ 3,938,501</u>
<b>Noncash investing activities:</b>	
Increase in fair value of investments	<u>\$ 12,362</u>

The notes to the financial statements are an integral part of this statement.



**COUNTY OF NORTHAMPTON, PENNSYLVANIA**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**December 31, 2016**

	<u>Trust Funds</u>		<u>Agency Funds</u>
	<u>Employees' Retirement</u>	<u>Retiree Healthcare</u>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,814,785	\$ 295,042	\$ 9,602,320
Receivables:			
Due from broker for investments sold	8,589	1,285,000	-
Interest and dividends	199,308	-	-
Other	208,934	-	441,212
Total receivables	<u>416,831</u>	<u>1,285,000</u>	<u>441,212</u>
Investments, at fair value:			
Common stocks	29,143,147	-	-
Equity mutual funds	224,438,016	26,138,942	-
U.S. Government agencies	3,757,704	-	-
U.S. Government treasuries	11,504,675	-	-
Corporate bonds	17,751,225	-	-
Fixed income mutual funds	48,662,579	4,948,888	-
Real estate	19,624,685	1,576,416	-
Total investments	<u>354,882,031</u>	<u>32,664,246</u>	<u>-</u>
Restricted assets:			
Cash and cash equivalents	-	-	424,227
Total assets	<u>358,113,647</u>	<u>34,244,288</u>	<u>\$ 10,467,759</u>
<b>LIABILITIES</b>			
Payables:			
Due to broker for investments purchased	8,109	1,505,000	-
Accounts payable	-	8,700	8,151,347
Investment management fees payable	187,450	-	-
Retirement refunds payable	285,579	-	-
Deposits held in trust	-	-	2,316,412
Accrued healthcare claims	-	217,000	-
Total liabilities	<u>481,138</u>	<u>1,730,700</u>	<u>\$ 10,467,759</u>
<b>NET POSITION,</b>			
<b>RESTRICTED FOR PENSIONS AND</b>			
<b>POST-EMPLOYMENT BENEFITS</b>			
	<u>\$ 357,632,509</u>	<u>\$ 32,513,588</u>	

The notes to the financial statements are an integral part of this statement.

**COUNTY OF NORTHAMPTON, PENNSYLVANIA**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended December 31, 2016**

	<u>Trust Funds</u>	
	<u>Employees'</u>	<u>Retiree</u>
	<u>Retirement</u>	<u>Healthcare</u>
<b>ADDITIONS</b>		
Contributions:		
Charges for services	\$ -	\$ 4,002
Plan members	5,475,595	320,458
Employer share of military buyback by employees	36,658	-
Employer contributions	<u>10,552,461</u>	<u>4,848,135</u>
Total contributions	<u>16,064,714</u>	<u>5,172,595</u>
Investment earnings:		
Interest and dividend income	6,866,333	644,265
Net increase in fair value of investments	<u>20,424,820</u>	<u>1,925,450</u>
Total investment earnings	27,291,153	2,569,715
Less investment expense	<u>(649,197)</u>	<u>(34,637)</u>
Net investment earnings	<u>26,641,956</u>	<u>2,535,078</u>
Total additions	<u>42,706,670</u>	<u>7,707,673</u>
<b>DEDUCTIONS</b>		
Insurance claims	-	3,986,629
Benefit payments	23,401,126	-
Refund of contributions	1,185,661	-
Administrative expenses	<u>43,100</u>	<u>392,488</u>
Total deductions	<u>24,629,887</u>	<u>4,379,117</u>
Change in net position	18,076,783	3,328,556
Net position - January 1	<u>339,555,726</u>	<u>29,185,032</u>
Net position - December 31	<u>\$ 357,632,509</u>	<u>\$ 32,513,588</u>

The notes to the financial statements are an integral part of this statement.

# **Notes to the Financial Statements**

## **NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The major accounting principles and practices followed by the County of Northampton (County) are presented below to assist the reader in understanding the financial statements and the accompanying notes. The accounting principles and practices and the format of the financial statements for entity-wide and all funds are presented in accordance with accounting principles generally accepted in the United States of America as applicable to governmental units.

### **Reporting Entity**

The financial statements include all funds of the County as well as those separately administered organizations the County has determined to be includable in its financial reporting entity. The criteria used in determining whether such organizations should be included in the County's financial reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability for separately administered organizations for which County officials appoint board members, the County considers its ability to impose its will upon an entity such that it may significantly influence the programs, projects or activities of, or the level of services performed or provided by, the organization. The County also considers the potential for the separately administered organization to provide financial benefits to, or impose financial burdens on, the County. Such benefit or burden exists if the County is entitled to the organization's resources, is obligated to finance deficits or provide support to the organization or is obligated in some manner for the debt of the organization.

In accordance with accounting principles generally accepted in the United States of America, the financial statements of the component unit have been included in the financial reporting entity as a discretely presented component unit. The component unit column in the financial statements includes the financial data of the following component unit. This unit is reported in a separate column to emphasize that it is legally separate from the County.

Northampton County General Purpose Authority: The County Executive appoints the members of the governing board of the Northampton County General Purpose Authority. The County provides financial support through appropriations. In addition, the County must approve any issuance of debt. The separate financial statements of the Northampton County General Purpose Authority are available by contacting the Authority at 669 Washington Street, Easton, PA 18042.

The County participates in two joint ventures with other governmental entities. Based upon the foregoing criteria, the County has determined that the following joint ventures should not be included in its financial reporting entity. Although the County does not have an equity interest in these joint ventures, it does have an ongoing financial responsibility to subsidize the operations of these authorities:

Lehigh and Northampton Airport Authority  
Lehigh and Northampton Transportation Authority

Condensed financial information relative to these entities is included near the end of Note 1.

The County has determined that the following related and jointly governed organizations, based on the same criteria described above, are not includable in the County's financial reporting entity. Although County officials are responsible for appointing members to the boards of these organizations, the County's accountability for these organizations does not extend beyond making these appointments:

Northampton County Gaming Revenue and Economic Redevelopment Authority  
Northampton County Housing Authority  
Northampton County Higher Education Authority  
Northampton County Hospital Authority  
Northampton County Industrial Development Authority  
Private Industry Council of Lehigh Valley, Inc.  
Lehigh Valley Planning Commission  
Lehigh Valley Economic Development Corporation

(Continued)

## **NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

### **Reporting Entity, Continued**

The Authorities, Corporations and Commission operating and capital expenditures listed on the previous page, including debt service, are financed principally from federal grants, rental charges and/or loan repayments. The County has no control over the determination of these entities' budgets, rental rates and loan repayment terms. In addition, the County has no legal liability for the activities of any of these entities. In 2016 the County appropriated an operating grant of \$525,000 to the Lehigh Valley Planning Commission.

### **Measurement Focus and Basis of Accounting**

The basic financial statements of the County are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

#### *1. Government-wide Financial Statements*

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental activities of the primary government and its discretely presented component unit. For the most part, the effect of interfund activity has been removed from these statements but interfund services provided and used are not eliminated in the consolidation process. The primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and retirement trust funds. Agency fund financial statements are reported using the accrual basis of accounting but they do not have a measurement focus. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board (GASB) Statement 33 – *Accounting and Financial Reporting for Nonexchange Transactions*.

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as expenditures.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. The County chooses to eliminate the indirect costs between governmental activities to avoid a "doubling up" effect. Interfund services provided and used are not eliminated in the consolidation process.

#### *2. Fund Financial Statements*

The underlying accounting system of the County is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

(Continued)

## **NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

### **Measurement Focus and Basis of Accounting, Continued**

Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and non-major funds in the aggregate for governmental funds. The proprietary statements report the activity of the County internal service fund. The fiduciary statements include financial information for the Retirement Trust Fund, Retiree Healthcare (other-post employment) Trust Fund and agency funds. The agency funds of the County primarily represent assets held by the County in a custodial capacity for other individuals or governments.

When both restricted and unrestricted resources are combined in a fund, expenses are considered paid first from restricted resources, and then from unrestricted resources.

#### **Governmental Funds**

Governmental funds are those through which most governmental functions of the County are financed. The acquisition, use, and balances of the County's expendable financial resources and the related liabilities are accounted for through governmental funds. 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. Revenues, except intergovernmental, are considered to be available if they are collected within 60 days of the end of the current period or soon enough thereafter to pay liabilities of the current period. The County considers intergovernmental revenue available if it is collected within 90 days of the end of the current fiscal period. Licenses, operating and capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when the County receives cash. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources". Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as other financing sources rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

#### **Proprietary Funds**

The County's Internal Service fund is a proprietary fund. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

(Continued)

## **NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

### **Measurement Focus and Basis of Accounting, Continued**

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. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Amounts paid to acquire capital assets are capitalized as assets in the proprietary fund financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the proprietary fund financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than an expense.

#### Fiduciary Funds

The County's fiduciary funds consist of the retirement and retiree healthcare (post-employment benefit) trust funds, and agency funds. In the fund financial statements, fiduciary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, the retirement and retiree healthcare trust funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on the statement of fiduciary net position. The retirement and retiree healthcare trust funds have an operating statement that presents additions (revenues) and deductions (expenses) in total net position. Agency funds present only a statement of fiduciary net position and have no measurement focus.

#### Basis of Presentation

The determination of major funds is based on minimum criteria as set forth in GASB Statement Number 34. The non-major funds are combined in a column in the fund financial statements. The following are the County's major funds:

#### Governmental Fund Types

- 1) General Fund—is used to account for all financial resources except those that are required to be accounted for in another fund. Revenues of this fund are primarily derived from real estate taxes, federal and state grants, and fees for services. Many of the basic activities of the County are accounted for in this fund, including operation of general County government, boards, commissions, the court system, and health and welfare activities.
- 2) Children, Youth and Families Fund—is used to account for the proceeds of specific revenue sources related to the provision of children and youth services that are restricted to expenditures for those specific purposes.
- 3) Gracedale Nursing Home Fund—is used to account for the proceeds of specific revenue sources, primarily from federal and state governments, third party insurance and patient pay related to the provision of services at the County's long-term care nursing facility.
- 4) HealthChoices Fund—is used to account for the proceeds of specific revenue sources, primarily from federal and state governments, related to the provision of managed care services programs (including mental health and mental retardation) that are restricted to expenditures for those specified purposes.
- 5) Capital ProjectsFund—is used to account for the proceeds of specific revenue sources, primarily from bond issue proceeds that are restricted to expenditures for capital construction and funds internally committed for capital improvements.

(Continued)

## **NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

### **Measurement Focus and Basis of Accounting, Continued**

#### Other Fund Types

- 1) Internal Service Fund—is used to account for the financing of the County's self-insurance activities that are being incurred by the County for all departments and agencies.
- 2) Retirement Trust Fund—is used to account for the revenue (i.e., member contributions, County appropriations, and net investment income) and the expenditures (i.e., allowance contributions refunded, retirement allowances, and death benefits paid) of the County's retirement system.
- 3) Retiree Healthcare Post-employment Trust Fund—is used to account for the revenue (i.e., member contributions, County appropriations, and net investment income) and the expenditures (i.e., healthcare costs) for the County's retiree healthcare system.
- 4) Agency Funds—consist of restricted assets of the various offices of the County. The funds, in essence, are escrow funds maintained with various offices for bail posted, funds held from sheriff's sales, realty transfer taxes held and owed to other governmental entities, funds held for Gracedale patients and prison inmates, gaming authority, and other funds reserved for disposition of legal actions.

### **Budgetary Data**

The County follows these procedures when establishing the budgetary data reflected in the financial statements:

- 1) Prior to October 3, the Executive submits to Council a proposed operating budget for the following calendar year. The operating budget includes proposed expenditures and the means of financing them for the general and special revenue funds.
- 2) The County budgets the capital projects funds over the life of the project in lieu of an annual budget. Consequently, a budget to actual comparison for the capital projects funds is not presented because such a statement would not be meaningful.
- 3) Public hearings are conducted at the Northampton County Courthouse to obtain taxpayer comments.
- 4) Prior to December 17, the budget is legally enacted through passage of a resolution. If Council fails to adopt the budget by this date, the budget submitted by the Executive shall be deemed adopted for the succeeding year, until such time as the Council shall adopt a budget for the remainder of that year.
- 5) Council maintains legal budgetary control at the departmental level and approves transfers between departments, whether between funds or within a fund, or revisions which alter the total revenues and expenditures of any fund. The executive is authorized to transfer within departments, whether between funds or within a fund, subject however, to restrictions imposed by federal and state programs that dictate the appropriation of certain intergovernmental revenues. Budgetary information as amended by the approval process is presented in the combined operating statements at the program level.
- 6) Budgetary data is maintained in the County's accounting system and is employed as a management control device during the year for the general and special revenue funds.
- 7) Budgets for the general and special revenue funds are adopted on the modified accrual basis of accounting, which basis is consistent with accounting principles generally accepted in the United States of America.

The budgeted fund balance at the beginning of the year represents that portion of the actual beginning fund balance needed to finance the excess of current year appropriations over budgeted revenues.

Unexpended appropriations lapse at the end of the year, except for originally budgeted capital appropriations, which continue until expended (maximum of three years). An appropriation for a capital project shall continue in force until the purpose for which it was made has been accomplished or abandoned.

(Continued)



**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

The receipt of additional intergovernmental revenues required supplemental appropriations of approximately \$28.2 million in 2016. Appropriations of budgeted beginning fund balances in excess of amounts estimated in the budget were not required in 2016.

**Interfund Transactions**

The County relies on a variety of transactions between the funds to finance operations. Accordingly, to the extent that certain interfund transactions have not been paid or received as of December 31, 2016, appropriate interfund receivables or payables have been established at the fund level.

**Restricted Assets**

Restricted assets represent resources set aside for liquidation of specific obligations, as detailed in Note 3.

**Capital Assets**

Capital assets, which include property, plant, equipment, intangible assets and infrastructure assets, are reported in the governmental activities columns in the government-wide financial statements and in the proprietary fund financial statements. The County defines capital assets as assets with an initial, individual cost of at least \$5,000 (\$100,000 for infrastructure assets) and an estimated useful life exceeding one year. Such assets are recorded at historical costs. Donated or gifted capital assets are recorded at the estimated fair market value at the time of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The capital assets of the County are depreciated using the straight-line method over the following estimated useful lives:

Land Improvements	10 – 15 Years
Buildings and Improvements	10 – 50 Years
Machinery and Equipment	8 – 20 Years
Motor Vehicles	3 – 5 Years
Computer Hardware and Software	3 – 5 Years
Infrastructure	20 – 50 Years

**Cash and Cash Equivalents**

The County considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents for the purpose of reporting cash flows.

**Investments**

Investments are reported at fair value in all funds. Fair value is the amount that can reasonably be expected to be received for an investment in a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale.

(Continued)

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Self-Insurance Program**

As of December 31, 2016, the County was fully or partially self-insured for workers' compensation, employee healthcare, vision and prescription, auto collision, professional liability, and prison inmate health care coverage. At December 31, 2016, the County carried excess loss insurance with various limits as more fully discussed in Note 12. The governmental funds are charged based on historical loss patterns. The County funds reported loss claims and claims incurred but not reported based upon the evaluation of independent actuaries and historical claims experience. The liability for accrued self-insurance claims represents an estimate of the eventual loss on claims arising prior to year-end including claims incurred and not yet reported. The County maintains the integrity of funds so provided, together with earnings thereon, in the self-insurance internal service fund solely for purposes of liquidating claims incurred. The fund balance is designated for future catastrophic losses. See Note 12 for additional details related to self-insurance.

**Accounts Payable and Accrued Liabilities**

The aggregate balance on the Statement of Net Position for Governmental Activities is made up of the following:

Accounts payable due to vendors	\$ 16,100,077
Accrued payroll	4,106,487
Accrued interest payable	<u>1,260,540</u>
	<u>\$ 21,467,104</u>

**Compensated Absences**

Non-union and union employees accrue vacation at a rate of between 10 and 30 days per year, dependent upon their union contract and their length of service. Non-nursing home employees can accrue vacation up to a maximum of two times their annual vacation entitlement. Nursing home union employees must take their vacation within 12 months. If such unused vacation is not taken within that 12 month period, dependent upon the union contract, the unused vacation is either lost, converted to a maximum of 5 days pay or, with permission, rolled forward for another 12 month period.

All full time employees are entitled to sick leave benefits accruing at rates between 0.833 days and 1.25 days per month depending on their bargaining unit. Employees will only be paid for sick leave when adequate proof of illness has been demonstrated. Upon retirement *or* voluntary resignation, correction officer union employees will be reimbursed for varying rates of unused accumulated sick leave. Alternately, upon retirement, non-union and the remaining union employees will be reimbursed for varying rates of unused accumulated sick leave up to a calculated percentage of their annual salary. Employees who are classified as non-exempt under the Federal Fair Labor Standards Act (FLSA) are entitled to earn varying amounts of time off in lieu of paid overtime (compensatory time). This accumulated time, if not used, is paid to the employee upon termination or retirement. The County has accounted for accrued vacation benefits, unpaid personal holiday time and unpaid compensatory time for all employees in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The County has also recorded a liability, in the government-wide financial statements for accumulated sick leave benefits for all employees, using the vesting method. This liability is liquidated by employee charges to payroll in the general or a special revenue fund.

The aggregate balance on the Statement of Net Position for Governmental Activities is made up of the following:

Accrued vacation liability	\$ 4,010,066
Accrued personal holiday liability	216,955
Accrued sick benefit liability	3,071,404
Accrued comp time liability	<u>350,960</u>
	<u>\$ 7,649,385</u>

(Continued)

## **NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

### **Unearned Revenues**

A liability for resources obtained prior to revenue recognition. The unearned revenues will be recognized as revenue in the year they are earned in accordance with the accrual basis of accounting.

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net 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/expenditure) until then.

In addition to liabilities, the statement of net 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. Deferred inflows of resources reported in the governmental fund financial statements represent revenues that are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as deferred inflows of resources. The County deems revenues received within 90 days of year-end to be available with the exception of property taxes, which must be received within 60 days of year-end to be deemed available.

### **Accounting Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results may differ from estimates recorded.

### **Adoption of Governmental Accounting Standards Board (GASB) Statements**

The County has adopted GASB Statement No. 72, *“Fair Value Measurement and Application”*. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement also provides guidance for applying fair value to certain investments and disclosures related to fair value measurements.

The County has adopted GASB Statement No. 77, *“Tax Abatement Disclosures”*.

The County will adopt in reporting year 2017 the provisions of GASB Statement No. 73, *“Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68”*.

The County will adopt in reporting year 2017 the provisions of GASB Statement No. 74, *“Financial Reporting for Postemployment Benefit Plans Other than Pension Plans”*.

The County will adopt in reporting year 2018 the provisions of GASB Statement No. 75, *“Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans”*.

The County will adopt in reporting year 2017 the provisions of GASB Statement No. 80, *“Blending Requirements for Certain Component Units-an Amendments of GASB Statement No. 14”*.

The County will adopt in reporting year 2017 the provisions of GASB Statement No. 81, *“Irrevocable Split-Interest Agreements”*.

The County will adopt in reporting year 2017 the provisions of GASB Statement No. 82, *“Pension Issues – an amendment of GASB Statements No. 14, No. 68, and No. 73”*.

(Continued)

## **NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

### **Joint Ventures**

The County participates in certain joint ventures with the County of Lehigh, Pennsylvania, in the operation of several authorities that are each a body corporate and politic organized pursuant to the Pennsylvania Municipalities Act of 1945, as amended and supplemented. The nature and function of each of these authorities are described below:

#### **Lehigh and Northampton Airport Authority:**

Governing Board—The authority is governed by 19 board members; 9 are appointed by the Executive and approved by Council, and 10 are appointed by Lehigh County.

Function—Owns and operates the Lehigh Valley International Airport.

Financing—The airport facility was acquired principally through proceeds of Airport Capital Improvement Bonds, Series of 1973, 1993, and 2000, and federal grants. Operations of the Lehigh and Northampton Airport Authority are financed through airport revenues (principally carrier fees).

Financial Reporting Relationship with County—Northampton and Lehigh counties last commitment was to pay the 1993 Lehigh-Northampton Airport Authority Airport Revenue Bonds. Payments were made from 1993 through 1998. There are no commitments to the Authority in 2016 or in the foreseeable future.

#### **Lehigh and Northampton Transportation Authority:**

Governing Board—The Authority is governed by 10 board members; 5 are appointed by the Executive and approved by Council, and 5 are appointed by Lehigh County.

Function—Owns and operates a bus transportation system in Northampton and Lehigh Counties.

Financing—Substantially all of the transit system was acquired with capital improvement grants from the federal and state governments. Operations are financed through state grants, passenger fares and county grants. Northampton and Lehigh Counties contribute the local share of the funding necessary to purchase new equipment.

Financial reporting relationship with County—In 2016, Northampton County paid \$493,615 in county grants. Such amount is included in the accompanying financial statements in the General Fund.

The Lehigh and Northampton Transportation Authority (LANTA) requests annual contributions in the form of grants to supplement state grants and passenger fares. The amount of the request is dependent upon the financial position of LANTA as presented to the counties. Funding requests are considered on an annual basis and historically contain additional grant requests for capital equipment.

Selected condensed audited financial information, obtained from the most recent published reports of the Lehigh and Northampton Airport Authority and Lehigh and Northampton Transportation Authority, is presented on the next page. Complete financial statements are available for the Lehigh and Northampton Airport Authority from the Authority's offices at 3311 Airport Road, Allentown PA, 18109 and for the Lehigh and Northampton Transportation Authority from the Authority's offices at 1060 Lehigh Street, Allentown, PA 18103.

(Continued)

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Joint Ventures, Continued**

	<b>Airport Authority December 31, 2015 Audited</b>	<b>Transportation Authority June 30, 2016 Audited</b>
<b>CONDENSED STATEMENT OF NET ASSETS</b>		
Assets:		
Current assets	\$ 7,409,678	\$ 15,295,881
Noncurrent assets	27,078,157	15,145,663
Capital assets, net	<u>217,292,882</u>	<u>34,449,679</u>
Total assets	<u>251,780,717</u>	<u>64,891,223</u>
Deferred Outflow	<u>930,259</u>	<u>2,747,465</u>
Liabilities:		
Current liabilities	5,977,077	12,622,790
Non-current liabilities	<u>48,436,490</u>	<u>26,964,537</u>
Total liabilities	<u>54,413,567</u>	<u>39,587,327</u>
Deferred Inflow	<u>97,697</u>	<u>51,693</u>
Net position:		
Net investment in capital assets	189,778,141	34,449,679
Restricted	3,163,184	-
Unrestricted (deficit)	<u>5,258,387</u>	<u>(6,450,011)</u>
Total net assets	<u>\$ 198,199,712</u>	<u>\$ 27,999,668</u>
<b>CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS</b>		
Operating revenues	\$ 22,333,576	\$ 14,525,206
Operating expenses	<u>(23,584,987)</u>	<u>(42,253,167)</u>
Operating loss	(1,251,411)	(27,727,961)
Non-operating revenues (expenses)	<u>(14,238,536)</u>	<u>22,638,839</u>
Loss before capital contributions	(15,489,947)	(5,089,122)
Capital contributions	<u>15,811,262</u>	<u>5,583,982</u>
Change in net assets	321,315	494,860
Beginning net assets	<u>197,878,397</u>	<u>27,504,808</u>
Ending net assets	<u>\$ 198,199,712</u>	<u>\$ 27,999,668</u>
<b>CONDENSED STATEMENT OF CASH FLOWS</b>		
Net cash provided by (used in):		
Operating activities	\$ 6,392,679	\$ (18,729,533)
Noncapital financing activities	-	20,326,539
Capital and related financing activities	(12,427,482)	(1,423,921)
Investing activities	<u>6,870,224</u>	<u>(59,106)</u>
Net increase	835,421	113,979
Beginning cash and cash equivalents	<u>4,329,262</u>	<u>1,525</u>
Ending cash and cash equivalents	<u>\$ 5,164,683</u>	<u>\$ 115,504</u>

(Continued)

## **NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

### **Net Position**

The government-wide statement of net position reports \$84.1 million of total net position, of which \$33.6 million is restricted by external resource providers or enabling legislation.

### **Fund Balance**

The County follows GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*" which provides defined fund balance categories to make the nature and extent of the constraints placed upon a government's fund balance more transparent. On November 18, 2010 Council passed ordinance No. 526 which established the County's fund balance policy. Fund balances of the governmental 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 County Council. County Council is the highest decision making authority of the County. Commitments may be established, modified or rescinded only through ordinances approved by County 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 purpose. Ordinance #526 established criteria for when funds are to be considered assigned. Assigned fund balance shall reflect the Director of Fiscal Affairs intended use of resources as set forth in the annual budget and any amendments thereto.

***Unassigned*** – Unassigned fund balance is the residual classification and represents fund balance that has not been restricted, committed or assigned to specific purpose. Ordinance #526 requires that, if after the annual audit, prior committed or assigned fund balances causes the unassigned fund balance to fall below 5% of general fund balance budgeted operating expenditures, including transfers out, the Director of Fiscal Affairs will so advise Council in order for the necessary action to be taken in order to restore the unassigned fund balance to 5% of general fund budgeted operating expenditures, including transfers out. The County Executive will prepare and submit a plan for committed and/or assigned and/or revenue increases to Council. The County shall take action necessary to restore the unassigned fund balance to acceptable levels within two years.

### **Financial Reserve Fund**

Ordinance #526 also established a financial reserve fund. The use (appropriation) of the financial reserve fund will be considered in conjunction with the annual budget adoption process, or through a budget amendment approved by Council ordinance during the year. The financial reserve has been set at \$13.7 million for 2016. The financial reserve is reported as a committed fund balance as the result of an amendment to Ordinance #526 during 2016 which specified criteria for additions or spending of the reserve amount.

(Continued)

## **NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

### **Fund Balance Flow Assumptions**

The County uses restricted amounts first when both restricted and unrestricted fund balances are available unless there are legal documents or contracts that prohibit doing this, such as in grant agreements requiring dollar-for-dollar spending. Additionally, the county would first use committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

### **Hugh Moore Trust**

In 1973, the County received an endowment from Hugh Moore for the creation of the Louise W. Moore Park. The trust agreement allows the reimbursement of park expenditures up to the trust's net realized income. For 2016, the calculated amount of \$47,959 is recorded as a payable to the General Fund. The transfer will occur in 2017. The trust is included in the combining statements of the non-major governmental funds.

### **Component Unit**

The Northampton County General Purpose Authority was created on May 6, 1999, pursuant to the Municipal Authorities Act of 1945 of the Commonwealth of Pennsylvania. The initial term of the Authority is fifty years and for such further periods as authorized and permitted by provisions of the Authority Act.

#### **Organization**

The Northampton County General Purpose Authority is financially accountable to the County of Northampton and was formed to finance public and private development through issuance of both taxable and tax exempt debt. Current operations involve administration of the Northampton County Loan and Development Fund.

#### **Fund Accounting**

The accounts of the Northampton County General Purpose Authority are organized on the basis of funds. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that are comprised of each fund's assets, liabilities, equity, revenues, expenditures or expenses, as appropriate. Resources are allocated to and for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

#### **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Northampton County General Purpose Authority is accounted for using the modified accrual basis of accounting. Under this method of accounting, revenues are recognized when received except for revenues subject to accrual that are recorded as receivable when measurable and available to finance current period expenditures. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for principal and interest on long-term debt and certain other long-term obligations that are recognized when paid. The County of Northampton's financial statements include the Statement of Net Position and Statement of Activities which are reported on the accrual basis of accounting. Under this method, revenues are recognized when accrued and expenses are recognized when incurred.

(Continued)

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Use of Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from these estimates.

**Trust Arrangement**

In accordance with the terms of the trust indenture securing the funded debt, monies of the Authority are accounted for by various trust funds, segregated for specific use for the security of the bondholders, and maintained by an independent trustee on a cash basis of accounting, which method is also in accordance with the trust indenture and does not differ materially from the modified accrual basis as recognized for municipal accounting.

**NOTE 2—DEPOSIT AND INVESTMENT RISK**

As of December 31, 2016 the County had the following debt investments and maturities within its operating fund accounts.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
U.S. Government treasuries	\$ 95,538	\$ -	\$ 45,125	\$ 17,233	\$ 33,180
U.S. Government agencies	505,719	371,909	-	29,706	104,103
Municipal bonds	10,201,835	3,297,697	2,429,138	3,225,000	1,250,000
Corporate bonds	<u>25,273,027</u>	<u>22,407,173</u>	<u>2,865,854</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 36,076,119</u>	<u>\$ 26,076,779</u>	<u>\$ 5,340,117</u>	<u>\$ 3,271,940</u>	<u>\$ 1,387,283</u>

As of December 31, 2016, the County had the following debt investments and maturities within its retirement plan accounts:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
U.S. Government treasuries	\$ 11,504,675	\$ 2,306,571	\$ 7,467,816	\$ 1,730,288	\$ -
U.S. Government agencies	3,757,704	-	1,241,526	1,461,771	1,054,407
Corporate bonds	<u>17,751,225</u>	<u>445,214</u>	<u>12,426,130</u>	<u>4,143,416</u>	<u>736,465</u>
Total	<u>\$ 33,013,604</u>	<u>\$ 2,751,785</u>	<u>\$ 21,135,472</u>	<u>\$ 7,335,475</u>	<u>\$ 1,790,872</u>

(Continued)



**NOTE 2—DEPOSIT AND INVESTMENT RISK, CONTINUED**

*Interest Rate Risk* — As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment policy is to invest funds to meet the projected cash flow requirements. Investments of the General Fund, special revenue funds and Self-Insurance Internal Service Fund are made at the discretion of the County Executive as long as such investments are made at financial institutions approved by County Council and are fully collateralized by securities with a fair value equal to or exceeding the cost of the investment. The Hugh Moore Permanent Fund investment policy follows the Retirement Plan Investment Policy that is detailed below. Investments must be made in accordance with the Commonwealth of Pennsylvania's Act 72 and the financial institution must be on Council's list of approved depositories.

The County's Retirement Plan Investment Policy states that emphasis shall be placed on providing adequate and timely investment cash flow to permit benefit payments from the Retirement Plan when due. Fixed income investment allocation is targeted between 20 and 30% of the portfolio. The investment portfolio is reviewed quarterly and may be adjusted to meet economic and/or investment market conditions and allocation objectives. The effective duration of fixed income securities shall be no more than 25 percent greater or less than the effective duration of the Barclay Aggregate index.

The County's Retiree Healthcare Trust Fund Investment Policy states that emphasis shall be placed on providing adequate and timely investment cash flow to permit medical insurance benefit payments to retirees when due. Fixed income investment allocation is targeted between 15 and 25% of the portfolio. The investment portfolio is reviewed quarterly and may be adjusted to meet economic and/or investment market conditions and allocation objectives. The effective duration of fixed income securities shall be no more than 25 percent greater or less than the effective duration of the Barclay Aggregate index.

*Credit Risk* — The County's investment policy limits operating and self-insurance investments in federal agency securities that carry direct or implied guarantees of the U.S. Government. The Hugh Moore Permanent Fund investment policy follows the Retirement Plan Investment Policy that is detailed above.

(Continued)

## **NOTE 2—DEPOSIT AND INVESTMENT RISK, CONTINUED**

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy sets out a fair value hierarchy with the highest priority being quoted prices in active markets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurement). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Fair value measurements will be classified and disclosed in one of the following three categories:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by market data.

The following tables present the balances of fair value measurements on a recurring basis by level within the hierarchy as of December 31, 2016.

<b>Investments Measured at Fair Value</b> For Governmental Activities	12/31/2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by fair value level</b>				
Debt securities				
U.S. treasuries	\$ 95,538	95,538		
U.S. agencies	505,718		505,718	
Municipal bonds	10,201,835		10,201,835	
Corporate bonds	25,273,028		25,273,028	
Total debt securities	<u>36,076,119</u>	<u>95,538</u>	<u>35,980,581</u>	<u>-</u>
Equity securities				
Consumer	177,737	177,737		
Energy	51,819	51,819		
Financials	214,114	214,114		
Health Care	111,219	111,219		
Industrials	71,119	71,119		
Information Technology	207,770	207,770		
Materials	47,582	47,582		
Real Estate	3,009	3,009		
Telecommunications	20,334	20,334		
Total equity securities	<u>904,703</u>	<u>904,703</u>	<u>-</u>	<u>-</u>
Mutual funds				
Fixed income mutual funds	231,084	231,084		
Total mutual funds	<u>231,084</u>	<u>231,084</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	<u>\$ 37,211,906</u>	<u>1,231,325</u>	<u>35,980,581</u>	<u>-</u>
<b>Nonparticipating investment contract carried at cost</b>				
Certificate of Deposit (1)	\$ 5,000,000			
Total governmental activities investments	<u>\$ 42,211,906</u>			

- (1) Certificate of Deposit. This type includes a single non-negotiable non-transferable certificate of deposit. The certificate may be redeemed on 12/28/2017 with a fixed interest rate of 1.094% and annual percentage yield of 1.10%.

(Continued)

## NOTE 2—DEPOSIT AND INVESTMENT RISK, CONTINUED

Investments Measured at Fair Value For Fiduciary Activities	12/31/2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by fair value level</b>				
<b>Debt securities</b>				
U.S. treasuries	\$ 11,504,675	11,504,675		
U.S. agencies	3,757,704		3,757,704	
Mortgage backed securities	3,869,914	1,206,457	2,663,457	
Corporate bonds	13,881,311	13,881,311		
Total debt securities	<u>33,013,604</u>	<u>26,592,443</u>	<u>6,421,161</u>	<u>-</u>
<b>Equity securities</b>				
Consumer	4,712,275	4,712,275		
Energy	1,272,673	1,272,673		
Financials	5,516,717	5,516,717		
Health Care	4,072,465	4,072,465		
Industrials	4,898,152	4,898,152		
Information Technology	5,756,188	5,756,188		
Materials	1,225,262	1,225,262		
Real Estate	626,625	626,625		
Telecommunications	567,159	567,159		
Utilities	495,631	495,631		
Total equity securities	<u>29,143,147</u>	<u>29,143,147</u>	<u>-</u>	<u>-</u>
<b>Mutual funds</b>				
Equity mutual funds	250,576,958	250,576,958		
Fixed income mutual funds	53,611,467	53,611,467		
Total mutual funds	<u>304,188,425</u>	<u>304,188,425</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	<u>\$ 366,345,176</u>	<u>359,924,015</u>	<u>6,421,161</u>	<u>-</u>
<b>Investments measured at the net asset value (NAV)</b>				
Real estate funds (2)	21,201,101	Unfunded Commitments	Redemption Frequency (if Currently Available)	Redemption Notice Period
Total investments measured at fair value	<u>\$ 387,546,277</u>	N/A	Quarterly / Monthly	N/A

- (2) Real estate funds. This type includes two open-ended, commingled real estate funds that invest primarily in core U.S. commercial real estate. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in each respective commingled real estate fund. The funds are valued on either a monthly or quarterly basis, with the valuation reflecting the underlying real estate and cash interests of each fund, net of any debt at the fund and/or property level. Since the funds are open-ended, contributions and redemptions can be made by investors on each fund valuation date (either quarterly or monthly, depending on the fund), subject to any investment queues. In the event fund investment queues exist for contributions and/or redemptions, the investors' desired contribution or redemption amounts will be honored at the discretion of each fund, only after the contributions or redemptions of investors with an earlier place in such queues are called or satisfied, respectively.

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

(Continued)

**NOTE 2—DEPOSIT AND INVESTMENT RISK, CONTINUED**

As of December 31, 2016 the County's operating investments had credit quality ratings as follows:

<u>Investment Type</u>	<u>Credit Quality Rating</u>	<u>Percent of Investment Type</u>
U.S. Government treasuries	Aaa	100%
U.S. Government agencies	Aaa	100%
Municipal bonds	Aaa	3%
Municipal bonds	Aa1	21%
Municipal bonds	Aa2	11%
Municipal bonds	A1	63%
Municipal bonds	A3	2%
Corporate bonds	Aa1	100%

The County's Retirement and Retiree Healthcare investment policies limit fixed income securities to a minimum of "Baa" or better at the time of purchase. At no time should securities rated Baa exceed 20% of the portfolio. The average quality of fixed income securities purchased shall equal or exceed Moody's A2 grade. No issuer, other than the U.S. Government or other federal agencies, may represent more than 5% of the total market value of the fixed income portfolio.

As of December 31, 2016 the County's retirement investments had credit quality ratings as follows:

<u>Investment Type</u>	<u>Credit Quality Rating</u>	<u>Percent of Investment Type</u>
U.S. Government treasuries	Aaa	100%
U.S. Government agencies	Aaa	100%
Corporate bonds	Aaa	30%
Corporate bonds	Aa1	1%
Corporate bonds	Aa2	4%
Corporate bonds	Aa3	2%
Corporate bonds	A1	3%
Corporate bonds	A2	17%
Corporate bonds	A3	11%
Corporate bonds	Baa1	11%
Corporate bonds	Baa2	11%
Corporate bonds	Baa3	10%

(Continued)

**NOTE 2—DEPOSIT AND INVESTMENT RISK, CONTINUED**

*Custodial Credit Risk* — For deposits and investments, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the County's investments, which are held by the investment's counterparty, are in the name of the County.

The County's holdings include \$72,635,475 in uncollateralized balances, including those balances held by the pledging financial trust department or agent but not in the County's name. Commonwealth of Pennsylvania statute requires financial institutions that hold public deposits in excess of the insured maximum by the Federal Deposit Insurance Corporation (FDIC) or other insurance to collateralize such deposits by a pledge or assignment of assets.

The Northampton County General Purpose Authority's holdings are insured by the FDIC or collateralized with securities held by the Authority or by its agent in its name.

*Concentration of Credit Risk* — The County's investment policy for pooled and self-insurance funds requires that the funds invest in U.S. Government or Federal agency securities for which there is no limit to the investment amount.

The County's Retirement and Retiree Healthcare investment policies limit investments, other than those in U.S. Government or other federal agencies, to no more than 5% of the total market value of the fixed income portfolio. U.S. Treasury securities are unlimited as a percentage of fixed income investments at cost or market value, except that any single Treasury zero coupon issue is limited to 10% of the total market value of the fixed income portfolio. Federal Agency securities are limited to 50% of fixed income investments at market value, 25% per agency, and 10%, of the total market value of the fixed income portfolio, per any single Federal Agency issue. These policies permit the use of mutual funds to reduce the investment administrative costs.

More than 5% of the County's investments are in U.S. Treasury notes representing 16% of the County's total investments.

More than 5% of the Hugh Moore Permanent trust funds are invested in the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, U.S. Treasury notes, U.S. Treasury Inflation Indexed notes, and U.S. Treasury bonds. These investments represent 25.7%, 32.7%, 19.7%, 15.8%, and 6.2% of the County's total investments, respectively.

More than 5% of the County's self-insurance investments are in Luzerne County PA and Federal National Mortgage Association bonds. These investments represent 9.9% and 5.3% of the County's total investments, respectively.

More than 5% of the County's retirement fund investments are in Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, and U.S. Treasury notes. These investments represent 5.2%, 5.2%, and 33.2% of the County's total investments, respectively.

**NOTE 3—RESTRICTED ASSETS**

Assets whose use is limited to a specific purpose have been classified as "restricted" in the balance sheet and are offset by a corresponding liability. Restricted assets are comprised of the following:

	<b><u>Cash and Cash Equivalents</u></b>
Fiduciary fund types:	
Agency funds:	
Gracedale patients agency fund	
Amounts held by the County nursing home	
in escrow for residents	\$ <u>424,227</u>

**NOTE 4—REAL ESTATE TAXES**

The County's real estate tax is levied each January 31, based on the assessed value listed as of the prior December 31, for all real property located in the County. The County assessment board has established assessed values at approximately 50% of calculated market value.

Real estate taxes levied for 2016 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2016 and those collections anticipated within the first sixty (60) days of 2017 are recognized as revenue in 2016. Net receivables estimated to be collectible subsequent to March 1, 2017, are reflected as deferred inflows of resources. Prior years' levies were recorded using these same principles, and remaining receivables are annually reevaluated as to collectability. The following table lists the various dates relevant to the collection of the 2016 real estate tax levy:

- |                  |   |  |
|------------------|---|--|
| January 1, 2016  | - | Tax lien is established  |
| May 31, 2016     | - | Real estate taxes must be paid on or before this due date; payments made on or before March 31, 2016 are eligible for a 2% discount; payments made after May 31, 2016 are assessed a 10% penalty.        |
| January 31, 2017 | - | Real estate taxes paid after this date are considered delinquent and are assessed a one-time \$15 collection fee plus interest at 9% per annum lasting until the taxes are paid or the property is sold. |

The following table lists the various dates relevant to the collection of delinquent 2016 real estate taxes:

- |                    |   |  |
|--------------------|---|--|
| July 31, 2017      | - | Notices of unpaid delinquent taxes must be mailed to property owners on or before this date.   |
| August 10, 2018    | - | Notices of the pending tax sale (upset sale) to force the recovery of unpaid delinquent taxes, penalties, costs and interest must be mailed by the County on or before this date.  |
| September 10, 2018 | - | This is the earliest date on which the County may conduct the tax sale (upset sale) to recover unpaid delinquent taxes, penalties, costs and interest.   |
| November 12, 2018  | - | This is the earliest date on which the County, at the discretion of the Court, may conduct the judicial tax sale (for parcels remaining unsold at the previous upset sale) to recover all costs incurred by the County in its attempt to collect unpaid taxes on a particular parcel (actual taxes, interest and penalties are waived); ownership of parcels remaining unsold after the judicial tax sale reverts to the repository for unsold properties. |

**NOTE 5—INTERFUND BALANCES**

Interfund receivable and payable balances of each individual fund as of December 31, 2016 are as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
<b>Major governmental funds:</b>		
General fund	\$ 9,040,740	\$ 12,765,942
Children, youth and families	986,754	-
Capital improvements	2,741,069	500
Gracedale nursing home	-	6,309,994
HealthChoices	-	135,148
Total major governmental funds	<u>12,768,563</u>	<u>19,211,584</u>
<b>Other governmental funds:</b>		
Area agency on aging	886,957	-
Bridges	-	64,749
Community and economic development	902,458	-
Conduit	450,952	-
Developmental programs	1,148,615	-
Domestic relations	-	1,088,773
Drug and alcohol	1,112,292	-
Emergency services	-	1,183,371
Environmental protection	703,048	-
Gaming	-	210,246
Hotel room rental tax	294,087	-
Hugh Moore trust	-	47,959
Mental health	2,438,126	-
Records improvement and automation	846,702	-
Total other governmental funds	<u>8,783,237</u>	<u>2,595,098</u>
Total governmental funds	<u>21,551,800</u>	<u>21,806,682</u>
<b>Internal service fund:</b>		
Self-insurance	<u>254,882</u>	-
Total internal service fund	<u>254,882</u>	-
Total interfund balances	<u>\$ 21,806,682</u>	<u>\$ 21,806,682</u>

The County utilizes a pooled operating fund to enhance investment return, therefore interfund receivables and payables are recorded to recognize amounts held by the General Fund in the pooled account on behalf of other funds. In addition, the General Fund has paid expenses on behalf of other funds, therefore a corresponding interfund receivable and payable has been recorded.

(Continued)

**NOTE 5—INTERFUND BALANCES, CONTINUED**

Interfund transfers are executed as a result of the requirement for the general fund to match a portion of the expenditures or expenses of other funds. On occasion, transfers also occur between other funds. The amounts transferred for the year ended December 31, 2016 are as follows:

	<u>Transferred From Other Funds</u>	<u>Transferred To Other Funds</u>
<b>Major governmental funds:</b>		
General fund	\$ 1,107,459	\$ 18,686,302
Children, youth and families	7,003,058	-
Capital improvements	7,253,900	9,670
Total major governmental funds	<u>15,364,417</u>	<u>18,695,972</u>
<b>Other governmental funds:</b>		
Area agency on aging	414,684	-
Domestic relations	1,623,136	-
Developmental programs	381,251	-
Drug and alcohol	52,136	-
Emergency services	433,602	-
Gaming	-	1,138,689
Mental health	448,728	-
Open space initiative	1,196,707	-
Records improvement and automation	-	80,000
Total other governmental funds	<u>4,550,244</u>	<u>1,218,689</u>
Total interfund transfers	<u>\$ 19,914,661</u>	<u>\$ 19,914,661</u>



**NOTE 6—CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2016 was as follows:

<b>GOVERNMENTAL ACTIVITIES</b>	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>
Capital assets, not being depreciated:				
Land	\$ 12,169,985	\$ -	\$ -	\$ 12,169,985
Construction in progress	<u>1,561,442</u>	<u>4,916,317</u>	<u>(2,122,114)</u>	<u>4,355,645</u>
Total capital assets, not being depreciated	<u>13,731,427</u>	<u>4,916,317</u>	<u>(2,122,114)</u>	<u>16,525,630</u>
Capital assets, being depreciated:				
Land improvements	12,291,335	479,738	-	12,771,073
Buildings and improvements	208,680,455	768,479	-	209,448,934
Machinery and equipment	43,656,887	1,928,108	(252,136)	45,332,859
Infrastructure	<u>14,708,486</u>	<u>2,021,934</u>	<u>(469,057)</u>	<u>16,261,363</u>
Total capital assets, being depreciated	<u>279,337,163</u>	<u>5,198,259</u>	<u>(721,193)</u>	<u>283,814,229</u>
Total capital assets, historical cost	<u>\$ 293,068,590</u>	<u>\$ 10,114,576</u>	<u>\$ (2,843,307)</u>	<u>\$ 300,339,859</u>
Less accumulated depreciation for:				
Land improvements	(6,072,572)	(594,572)	-	(6,667,144)
Buildings and improvements	(84,190,357)	(6,072,918)	-	(90,263,275)
Machinery and equipment	(29,197,628)	(2,759,264)	252,136	(31,704,756)
Infrastructure	<u>(5,417,762)</u>	<u>(354,801)</u>	<u>223,189</u>	<u>(5,549,374)</u>
Total accumulated depreciation	<u>(124,878,319)</u>	<u>(9,781,555)</u>	<u>475,325</u>	<u>(134,184,549)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 168,190,271</u>	<u>\$ 333,021</u>	<u>\$ (2,367,982)</u>	<u>\$ 166,155,310</u>

Depreciation expense was charged to functions or programs of the primary government as follows:

<b>GOVERNMENTAL ACTIVITIES</b>	
General government	\$ 1,703,031
Court system and corrections	3,422,825
Public works	1,912,952
Human services	<u>2,742,747</u>
	<u>\$ 9,781,555</u>

**NOTE 7—LONG-TERM OBLIGATIONS**

The County issues bonds to provide funds for the acquisition and construction of major capital facilities, to develop parks and repair and replace County bridges.

The following is a summary of changes in long-term obligations of the County for the year ended December 31, 2016:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds payable:					
General obligation					
bonded debt	\$ 93,865,000	\$ -	\$ (2,700,000)	\$ 91,165,000	\$ 2,775,000
Bond premium	10,820,954	-	(811,599)	10,009,355	811,599
Bond discount	(1,180,195)	-	83,601	(1,096,594)	(83,601)
Lease rental debt	<u>11,375,000</u>	<u>-</u>	<u>(3,605,000)</u>	<u>7,770,000</u>	<u>3,790,000</u>
Total bonds payable	<u>114,880,759</u>	<u>-</u>	<u>(7,032,998)</u>	<u>107,847,761</u>	<u>7,292,998</u>
GESA payable:					
GESA financing	<u>15,400,907</u>	<u>-</u>	<u>(1,364,417)</u>	<u>14,036,490</u>	<u>1,499,562</u>
Capital lease payable:					
Capital lease building	<u>14,468,731</u>	<u>-</u>	<u>-</u>	<u>14,468,731</u>	<u>-</u>
Other liabilities:					
Compensated absences	7,486,306	887,596	(724,517)	7,649,385	887,000
Net pension liability	60,375,344	-	(2,508,364)	57,866,980	-
Self-insurance claims	<u>8,571,333</u>	<u>18,283,992</u>	<u>(18,941,956)</u>	<u>7,913,369</u>	<u>2,567,474</u>
Total other liabilities	<u>76,432,983</u>	<u>19,171,588</u>	<u>(22,174,837)</u>	<u>73,429,734</u>	<u>3,454,474</u>
Governmental activities					
long-term liabilities	<u>\$ 221,183,380</u>	<u>\$ 19,171,588</u>	<u>\$ (30,572,252)</u>	<u>\$ 209,782,716</u>	<u>\$ 12,247,034</u>

The following is a summary of changes in short-term portion of the long-term obligations of the County for the year ended December 31, 2016:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Bonds and notes payable:				
General obligation bonded debt	\$ 2,700,000	\$ 2,775,000	\$ (2,700,000)	\$ 2,775,000
Bond premium	811,599	811,599	(811,599)	811,599
Bond discount	(83,601)	(83,601)	83,601	(83,601)
Lease rental debt	<u>3,605,000</u>	<u>3,790,000</u>	<u>(3,605,000)</u>	<u>3,790,000</u>
Total bonds and notes payable	<u>7,032,998</u>	<u>7,292,998</u>	<u>(7,032,998)</u>	<u>7,292,998</u>
GESA payable:				
GESA financing	<u>1,364,419</u>	<u>1,499,562</u>	<u>(1,364,419)</u>	<u>1,499,562</u>
Other liabilities:				
Compensated absences	907,000	887,000	(907,000)	887,000
Accrued self-insurance claims	<u>3,280,667</u>	<u>18,418,338</u>	<u>(19,131,531)</u>	<u>2,567,474</u>
Total other liabilities	<u>4,187,667</u>	<u>19,305,338</u>	<u>(20,038,531)</u>	<u>3,454,474</u>
Governmental activities short-term				
portion of long-term liabilities	<u>\$ 12,585,084</u>	<u>\$ 28,097,898</u>	<u>\$ (28,435,948)</u>	<u>\$ 12,247,034</u>

(Continued)

**NOTE 7—LONG-TERM OBLIGATIONS, CONTINUED**

Long-term obligations of the County are comprised of the following: Balance at December 31, 2016

General obligation bonds:

\$16,115,000 2009 Serial Bonds, due in annual installments of \$370,000 to \$1,635,000 through November 15, 2029; interest rates vary from 2.5% to 4.375%. The funds were used to refund the remaining balance of the 1999 Serial Bond and for various County capital projects including parking deck renovations, Juvenile Justice Center expansion and reconstruction of three bridges. \$6,560,000

\$9,385,000 2012 Series A (Taxable) Bonds due in annual installments of \$325,000 to \$2,820,000 through October 1, 2020; interest rates vary from 0.981% to 2.895%. Approximately \$9.2 million of the proceeds were used to reimburse the County a portion of the funds expended to terminate a 2004 swap agreement with the remainder used to pay the costs and expenses of issuing the Series A Bonds. 8,055,000

\$60,745,000 2012 Series B (Tax-Exempt) Bonds due in annual installments of \$1,780,000 to \$7,250,000 starting October 1, 2020 through October 1, 2030; interest rates vary from 3.0% to 5.0%. The funds were used to finance the current refunding of the remaining balance of the 2001 Series General Purpose Authority County Agreement Revenue Bonds. 60,745,000

\$19,640,000 2013 Serial Bonds, due in annual installments of \$1,260,000 to \$2,700,000 through August 15, 2023; interest rates vary from 1.0% to 5.0%. The funds were used to finance the current refunding of the County's General Obligation Bonds, Series 2006 and for various County capital projects. 15,805,000

Lease rental debt:

\$22,395,000 2003 Series Authority County Agreement Bonds due in annual installments of \$70,000 to \$3,980,000 through October 1, 2018; interest rates vary from 2.75% to 5.25%. The funds were used to advance refund a portion of the 2001 Series General Purpose Authority County Agreement Revenue Bonds. 7,770,000

GESA Financing:

\$19,534,814 On 6/21/2011, the County and McClure Company (a subsidiary of PPL Energy Service Mid-Atlantic, LLC) entered into a guaranteed energy services agreement (GESA) for the purpose of installing energy saving equipment and providing other services designed to save energy for the County's property and buildings and the Gracedale nursing home. The lending agreement included a fixed interest rate of 2.98% for 12 years, with the first payment due June, 2012. 14,036,490

Capital Lease:

\$14,468,731 On 03/28/2013, the County and Polaris Emrick Development, LP entered into a capital lease agreement to design and construct a three story office building for the purpose of consolidating all non-Gracedale human service employees into one building. Should the lease continue to the end of its 30 year term, the building will be conveyed to the County for one dollar. The cost of land on which the building is constructed is \$1,219,400 with a building cost of \$13,249,331 and accumulated depreciation of \$607,261. 14,468,731

Unamortized Bond Premium 10,009,355

Unamortized Bond Discount (1,096,594)

\$136,352,982

Accumulated Compensated Absences Balance \$7,649,385

Net Pension Liability \$57,866,980

Accrued Self-Insurance claims \$7,913,369

(Continued)

**NOTE 7—LONG-TERM OBLIGATIONS, CONTINUED**

The County's legal debt margin at December 31, 2016 computed in accordance with the Commonwealth of Pennsylvania's Local Government Unit Debt Act of 1972, as amended, is approximately \$747,780,311 for general obligation bonds and approximately \$990,297,695 for revenue bonds. The general obligation bonds were issued as both taxable and tax-exempt. The tax-exempt portion is subject to federal arbitrage regulations.

The annual requirements to amortize all debt outstanding, excluding accumulated compensated absences (sick leave benefits) and accrued self-insurance claims, as of December 31, 2016, including interest payments of \$39,147,671 are as follows:

**General Obligation, Lease Rental Bond Debt, Electoral Debt and GESA Payable**

<u>Fiscal Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 13,964,782	\$ 8,064,562	\$ 5,900,220
2018	14,092,075	8,494,596	5,597,479
2019	13,411,794	8,957,405	4,454,389
2020	13,257,328	9,340,334	3,916,994
2021	13,380,655	9,773,946	3,606,709
2022 - 2026	51,809,912	39,735,645	12,074,267
2027 - 2030	32,202,613	28,605,000	3,597,613
	<u>\$ 152,119,159</u>	<u>\$ 112,971,488</u>	<u>\$ 39,147,671</u>

The debt service requirements on the capital lease to maturity are as follows:

	<u>Fiscal Year</u>	<u>Payment</u>
	2017	\$ 1,026,568
	2018	1,052,232
	2019	14,733,403
Total minimum lease payments		16,812,203
Less: amounts representing interest		(2,343,472)
Present value of minimum lease payments		<u>\$ 14,468,731</u>

**Component Unit—Conduit Debt Obligations**

Not included in the financial statements of the Northampton County General Purpose Authority (Authority) are various conduit debt obligations issued under their name. The bonds are not secured by or payable from revenues or assets of the Authority. Neither the faith and credit nor the taxing power of Northampton County is pledged to the payment of the principal of and interest on the bonds, nor is the County or Authority, in any manner, obligated to make any appropriations for payments on these bonds. The aggregate amount of the Authority's conduit debt obligations outstanding at December 31, 2016 is \$852,935,000 as per the following schedule.

(Continued)

## **NOTE 7—LONG-TERM OBLIGATIONS, CONTINUED**

Transactions of conduit debt for the year are as follows:

	January 1, 2016 <u>Balance</u>	<u>Issued</u>	<u>Retired</u>	December 31, 2016 <u>Balance</u>
<b>Lafayette College:</b>				
Refunding Bond Series 2003 Variable Rate College Revenue Bonds Series 2006	\$ 10,190,000	\$ -	\$ -	\$ 10,190,000
Revenue Bond Series A&B 2013	11,000,000	-	-	11,000,000
Refunding and Revenues Series 2008	49,395,000	-	-	49,395,000
Revenue Notes Series A & B 2010	94,955,000	-	(250,000)	94,705,000
	26,290,000	-	-	26,290,000
<b>Lehigh University:</b>				
Bond Series 2001	10,810,000	-	(2,820,000)	7,990,000
Revenue Bond Series B 2000	17,365,000	-	(810,000)	16,555,000
Higher Education Revenue Bonds Series A and B 2006	10,445,000	-	(1,590,000)	8,855,000
Higher Education Revenue Bonds Series 2007 (CPI)	24,615,000	-	-	24,615,000
Higher Education Revenue Bonds Series 2007 (Term)	29,310,000	-	(29,310,000)	-
Higher Education Fixed Rate Bonds Series A of 2009	66,165,000	-	-	66,165,000
Higher Education Fixed Rate Bonds Series B of 2016	-	26,715,000	-	26,715,000
Higher Education Fixed Rate Bonds Series A of 2017	-	74,950,000	-	74,950,000
<b>St Luke's Hospital:</b>				
Revenue Bond Series A 2008	175,000,000	-	(175,000,000)	-
Revenue Bond Series A,B&C of 2010	59,105,000	-	(24,300,000)	34,805,000
Revenue Bond Series D of 2010	29,300,000	-	-	29,300,000
Revenue Bond Series A & B of 2013	65,000,000	-	-	65,000,000
Capital Lease Series 2014	30,000,000	-	-	30,000,000
Capital Lease Series 2015	30,000,000	-	-	30,000,000
Revenue Bond Series A 2016	-	217,845,000	-	217,845,000
<b>Moravian College:</b>				
Revenue Bond Series 2012	19,285,000	-	(19,285,000)	-
Revenue Bond Series 2013	9,365,000	-	(9,365,000)	-
Revenue Bond Series 2013	-	28,560,000	-	28,560,000
	<u>\$ 767,595,000</u>	<u>\$ 348,070,000</u>	<u>\$ (262,730,000)</u>	<u>\$ 852,935,000</u>

## **NOTE 8—OPERATING LEASE**

The County leases the West Easton Treatment Center building under a 10-year non-cancelable operating lease. The lease commenced March 1, 2012 and will terminate February 28, 2022. Lease expense was \$447,124 for the year ended December 31, 2016. The future minimum lease payments are as follows:

### **Operating Lease - Schedule of Future Minimum Lease Payments**

<u>Fiscal Year</u>	<u>Payment</u>
2017	\$ 447,124
2018	447,125
2019	447,125
2020	447,125
2021	447,125
2022	111,781
	<u>\$ 2,347,405</u>

**NOTE 9—PENSION PLAN**

**Plan Description**

The Northampton County Employees' Pension Plan is a single-employer defined benefit pension plan that covers all employees of the County. All employees working over 1,000 hours per year are required to enter the plan, and County elected officials have the option of enrolling in the plan. The plan is included in the financial statements of County of Northampton as a pension trust fund, and does not issue a standalone report. The benefits and refunds of the plan are recognized when due and payable in accordance with the terms of the plan. The plan provides retirement, disability and death benefits to plan members and their beneficiaries. Cost-of-living adjustments are provided at the discretion of the County Retirement Board. Pennsylvania Act 96 of 1971, as amended cited as the County Pension Law provides for the creation, maintenance and operation of the plan.

**Plan Administration**

Management of the Plan is overseen by the Pierce Park Group. Per the Plan Document, the Retirement Board is comprised of not less than seven individuals. The County Executive and the President of County Council, by virtue of their positions, are automatic members. Three seats are appointed by the County Executive; typically the Director of Fiscal Affairs, one retiree and one active employee. County Council gets two additional seats on the board besides the President of Council. These individuals serve a two-year alternating term. The Retirement Board 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 Plan. On all such matters, the decision of a majority of the then members of the Retirement Board shall govern and be binding upon the Employer, participants, and beneficiaries. The Retirement Board meets quarterly during the year. However, the Retirement Board need not call or hold any meeting for the purpose of rendering decisions but such decisions may be evidenced by a written document designed by the members.

**Benefits Provided**

Northampton County Employees Pension Plan provides retirement, disability, and death benefits. Retirement benefits for plan members are calculated as a percent of the member's final 3-year average salary times the member's years of service depending on class basis. Plan members with 20 years of service are eligible to retire at age 55. Plan members that have attained age 60 are eligible to retire. All plan members are eligible for disability benefits after 5 years of service if disabled while in service and unable to continue as a county employee. Disability retirement benefits are equal to 25% of final average salary at time of retirement. Death benefits for a member who dies with 10 years of service prior to retirement is the total present value of member's retirement paid in a lump sum. A plan member who leaves County service with less than 5 years of service may withdraw his or her contributions, plus any accumulated interest.

On an ad hoc basis, cost-of-living adjustments to each member's retirement allowance shall be reviewed at least once every three years subsequent to the member's retirement date. The adjustment, should the County elect to give one, is a percentage of the change in the Consumer Price Index.

**Employees Covered by Benefit Terms**

At January 1, 2016, the following employees were covered by the benefits terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	1,186
Inactive Employees Entitled to but not yet Receiving Benefits	110
Active Employees	1,875
Total	<u><u>3,171</u></u>

(Continued)

## **NOTE 9—PENSION PLAN, CONTINUED**

### **Contributions**

Plan members are required to contribute 5% of their salary and may contribute up to 15%. The County is required to contribute at an actuarially determined rate. Per Pennsylvania Act 96 of 1971, as amended, contribution requirements of the plan members and the County are established and may be amended by the General Assembly of the Commonwealth of Pennsylvania. Administrative costs of the plan are financed through investment earnings.

### **Method Used to Value Investments**

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Real estate assets are reported at fair value utilizing an income approach to valuation. By contract, an independent appraisal is obtained once every year to determine the fair market value of the real estate assets.

### **Investment Policy**

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes.

### **Net Pension Liability**

The components of the net pension liability of the County for the December 31, 2016 measurement period were as follows:

Total Pension liability	\$415,499,489
Plan fiduciary net position	<u>(357,632,509)</u>
Net pension liability	<u>\$57,866,980</u>

Plan fiduciary net position as a percentage of the total pension liability: 86.1%

The total pension liability was determined by an actuarial valuation for the 2016 measurement period, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	January 1, 2016
Actuarial assumptions:	
Inflation	3.0%
Salary increases	4.5%, average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense
Mortality rates	RP-2013 Annuitant and Non-Annuitant tables for males and females

(Continued)

## **NOTE 9—PENSION PLAN, CONTINUED**

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. The target allocation and best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation for the 2016 measurement period are summarized in the following table:

<b><u>Asset Class</u></b>	<b><u>Target Allocation</u></b>	<b><u>Long-Term Expected Real Rate of Return</u></b>
Domestic equity	45 - 55%	5.4%
International equity	15 - 25%	5.5%
Fixed income bonds	19.5 - 29.5%	1.3%
Real estate	0 - 10%	4.5%
Cash	<u>0 - 5%</u>	0%
	<u>100%</u>	

### **Concentrations**

Investment concentrations of the pension plan are disclosed in Note 2 which states that there are no investments, other than those in U.S. government or federal agencies, greater than 5% of the total market value of the fixed income portfolio.

### **Discount Rate**

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and the County contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### **Changes in the Net Pension Liability**

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability
Balance at 12/31/2015	\$ 399,931,070	\$ 339,555,726	\$ 60,375,344
Changes for the Year			
Service Cost	9,738,163	-	9,738,163
Interest	27,259,364	-	27,259,364
Difference Between Expected and Actual Experience	3,157,679	-	3,157,679
Contributions - Employer	-	10,552,461	(10,552,461)
Contributions - Employee	-	5,512,253	(5,512,253)
Net Investment Income	-	26,641,956	(26,641,956)
Benefit Payments, Including Refunds of Employee Contributions	(24,586,787)	(24,586,787)	-
Administrative Expenses	-	(43,100)	43,100
Net Changes	15,568,419	18,076,783	(2,508,364)
Balance at 12/31/2016	\$ 415,499,489	\$ 357,632,509	\$ 57,866,980

(Continued)



**NOTE 9—PENSION PLAN, CONTINUED**

**Sensitivity of Net Pension Liability to Changes in Discount Rate**

The following presents the net pension liability of the County, calculated using the discount rate of 7.5%, as well as what the County’s net pension liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	<b>1% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
County’s net pension liability	\$98,124,630	\$57,866,980	\$24,117,492

**Rate of Return on Investments**

For the 2016 measurement period, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 8.20%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended December 31, 2016, the County recognized pension expense of \$11,961,390. At December 31, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 3,118,825	\$ -
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	14,311,937	-
Total	<u>\$ 17,430,762</u>	<u>\$ -</u>

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

<u>Year Ended December 31</u>	
2017	\$ 5,584,308
2018	5,584,308
2019	5,584,308
2020	416,153
2021	261,685

**Payable to the Pension Plan**

For the 2016 measurement period, the County had no outstanding amount of contributions to the pension plan required for the year ended December 31, 2016.

## **NOTE 10—POSTEMPLOYMENT HEALTHCARE PLAN**

### **Plan Description**

The retiree healthcare plan is a single-employer defined benefit other postemployment benefit (OPEB) healthcare plan administered by the County of Northampton. The plan was established on August 1, 1968 to provide postretirement healthcare benefits to qualified full-time employees and their dependents in accordance with County Council resolutions 57-79, 48-92, and 54-96. Employees hired prior to July 1, 1979 receive healthcare benefits upon retirement if they have completed at least 20 years of service. Employees hired between July 1, 1979 and December 31, 1996 receive healthcare benefits upon retirement if they have attained the age 55 with at least 20 years of service, or age 60 with at least 8 years of service. Employees hired after December 31, 1996 receive healthcare benefits upon retirement if they have attained the age of 60 and have completed at least 25 years of service. Employees hired on or after June 30, 2010 will no longer receive healthcare benefits upon retirement. Currently 773 retirees and 1,089 active participants meet those eligibility requirements. Dependent coverage ceases with the death of the retiree. The retiree healthcare plan does not issue a separate publicly available financial report.

### **Funding Policy**

The contribution requirements of plan members and the County of Northampton are established through the budget process and may be changed by budget amendments. The required County contribution is actuarially determined based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as actuarially determined. For year 2016, the County contributed \$4.8 million to the plan, including \$2.4 million (approximately 50% of total contributions) for current costs and \$2.4 million (approximately 50% of total contributions) to prefund benefits. Plan members contributed \$324,460 (approximately 6.3% of contributions) in co-payment fees in 2016.

Healthcare retirement benefits are fully funded by the employer if the employee retired prior to January 1, 1996. If the employee retired subsequent to January 1, 1996, the employee will contribute to the cost based on the co-payment plan in effect at the time of their retirement. The co-payment varies from a flat rate of \$10 per month to a fixed percentage from 1% to 5% of the retiree's pension. The retiree charge for this medical insurance coverage is recognized in the retiree healthcare trust fund.

### **Annual OPEB Cost and Net OPEB Obligation**

The County'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 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the retiree healthcare trust fund:

Annual required contribution (ARC)	\$ 4,848,135
Interest on net OPEB obligation	-
Adjustment to ARC	-
Annual OPEB cost (expense)	<u>4,848,135</u>
Contributions made	<u>(4,848,135)</u>
Increase (decrease) in net OPEB obligation	-
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u><u>\$ -</u></u>

(Continued)

## **NOTE 10—POSTEMPLOYMENT HEALTHCARE PLAN, CONTINUED**

### **Annual OPEB Cost and Net OPEB Obligation, Continued**

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016, and the five preceding years were as follows:

<u>Ended</u>	<u>OPEB Cost</u>	<u>Cost Contributed</u>	<u>Obligation</u>
2011	5,809,254	100%	-
2012	5,600,530	100%	-
2013	5,606,797	100%	-
2014	5,664,770	100%	-
2015	5,723,123	100%	-
2016	4,848,135	100%	-

### **Funded Status and Funding Progress**

As of January 1, 2016, the most recent actuarial valuation date, the plan was 37.83% funded. The actuarial accrued liability for benefits was \$77.1 million, and the actuarial value of assets was \$29.2 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$47.9 million. The covered payroll (annual payroll of active employees covered by the plan) was \$86.5 million, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 55.4 percent.

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, mortality, and the healthcare cost trend. 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. The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

### **Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. 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.

Actuarial valuation date	January 1, 2016
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	N/A
Healthcare inflation rate	5.9% initial, 3.94% ultimate
Includes inflation at	2.3%

## **NOTE 11—LITIGATION**

The County is involved in various actions related to construction costs, tax billings, assessment valuations, property damages and other matters. In the opinion of County officials and the County solicitor, the ultimate outcome of these actions will not have a material adverse effect on the County's financial statements.

## **NOTE 12—RISK MANAGEMENT**

The County is exposed to risk of loss related to self-insurance activities for workers' compensation, health, vision, prescription, auto collision, prison inmate health care, general liability and professional liability coverage. The self-insurance internal service fund is used to account for risk associated with professional liability, employee health care, prescription drugs, vision, and workers' compensation.

For the year ended December 31, 2016 the County carried the following insurance. The County is fully self-insured for vision insurance. Funds are charged based on historical loss patterns.

- 1) Medical and prescription drug coverage—The County limited its liability to \$350,000 per employee and family per year.
- 2) Workers' compensation—The County maintains excess loss insurance for workers' compensation that limited its liability per accident or disease to a variable limit based upon the class of employee with a employers maximum liability limit of \$1 million per occurrence and aggregate. For employees classified as Nursing and Convalescent Home and Police Officers, the per occurrence limit is \$750,000 and for all other employees the per occurrence limit is \$650,000.
- 3) Professional and general liability—There is a \$10 million per occurrence limit for general liability, law enforcement, automobile and public officials liability insurance. The public official's liability also includes the \$10 million annual aggregate. The deductibles are as follows: general liability \$5,000; law enforcement liability \$25,000; automobile liability \$5,000; and public official's liability \$50,000.
- 4) Prison inmate medical service—With respect to prison inmate health care, the County has an agreement with a vendor to provide medical services to inmates. Such services under the contract are limited to \$15,000 per year per individual. The County retains the risk of loss for prison inmate health care in excess of \$15,000 per individual.

The reserve balances are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. The County funds reported loss claims and claims incurred but not reported for health insurance and workers' compensation based on estimates of independent actuaries. Such claims and estimates are not discounted. All other accrued self-insurance liabilities are based on the County's historical claim experience.

The County maintains the integrity of funds so provided, together with earnings thereon, in the self-insurance internal service Fund solely for purposes of liquidating claims incurred. Net position is designated for future catastrophic losses. There have been no changes in insurance coverage, retention limits or excess loss policies from the prior year. The amounts of settlements for the past three years did not exceed excess loss insurance coverage.

(Continued)

**NOTE 12—RISK MANAGEMENT, CONTINUED**

All accrued self-insurance liabilities at December 31, 2016 are accounted for in the self-insurance internal service fund for active employees and the retiree healthcare trust fund for retirees. The following provides aggregate information for the current and prior year on self-insurance liabilities, incurred claims, and payments:

	12/31/14	Change in Incurred Claims		Payments		12/31/15
		Current	Prior	Current	Prior	
Healthcare	\$ 1,803,000	\$ 17,626,054	\$ 48,000	\$ (18,456,839)	\$ 937,785	\$ 1,958,000
Workers' compensation	5,659,066	839,358	1,649,760	(490,980)	(1,043,871)	6,613,333
Totals	<u>\$ 7,462,066</u>	<u>\$ 18,465,412</u>	<u>\$ 1,697,760</u>	<u>\$ (18,947,819)</u>	<u>\$ (106,086)</u>	<u>\$ 8,571,333</u>

	12/31/15	Change in Incurred Claims		Payments		12/30/16
		Current	Prior	Current	Prior	
Healthcare	\$ 1,958,000	\$ 17,721,152	\$ (550,000)	\$ (18,906,971)	\$ 1,008,819	\$ 1,231,000
Workers' compensation	6,613,333	600,914	511,926	(320,832)	(722,972)	6,682,369
Totals	<u>\$ 8,571,333</u>	<u>\$ 18,322,066</u>	<u>\$ (38,074)</u>	<u>\$ (19,227,803)</u>	<u>\$ 285,847</u>	<u>\$ 7,913,369</u>

**NOTE 13—COMMITMENTS AND CONTINGENCIES****Information Technology Services**

Effective January 2014, the County entered into a contract for provision of information technology services for a three-year period, with two optional one year extensions at a total cost of \$10,463,732 for the five years. The contract amount paid during year 2016 was \$2,091,989.

**Federal and State Funding**

The County receives federal and state funding under a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on the filing of reports and audits of those reports. Estimated settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. County officials do not expect any significant adjustments to result from future examinations.

(Continued)

**NOTE 13—COMMITMENTS AND CONTINGENCIES, CONTINUED**

**Unionized Employees**

The County relies heavily on unionized employees. As of December 31, 2016, approximately 78 percent of County employees were unionized. The following chart lists the union and non-union groups.

<u>Union Group</u>	<u>Contract Dates</u>		<u>Number of Employees</u>
	<u>From</u>	<u>To</u>	
AFSCME Correction Officers	01/01/2015	- 12/31/2017	206
AFSCME Court-Appointed Non-Professionals	01/01/2014	- 12/31/2017	127
AFSCME Court-Appointed Professionals	01/01/2015	- 12/31/2018	64
AFSCME Court-Related Non-Professionals	01/01/2014	- 12/31/2017	62
AFSCME Gracedale Nursing Home	01/01/2016	- 12/31/2018	638
AFSCME Residual	01/01/2014	- 12/31/2017	208
AFSCME Youth Detention Center	01/01/2014	- 12/31/2017	57
Deputy Sheriff's Association	01/01/2014	- 12/31/2018	67
Northampton County Detective's Association	01/01/2016	- 12/31/2019	7
PSSU Human Services	01/01/2012	- 12/31/2014	178
Steelworkers Gracedale Nursing Home	01/01/2016	- 12/31/2018	55
			<u>1,669</u>
Non-Union			500
Elected			<u>12</u>
		Total	<u><u>2,181</u></u>

Eight union contracts are expired as of December 31, 2016 and are in various stages of negotiations and arbitration.

**NOTE 14—TAX ABATEMENTS**

The County of Northampton provides tax abatements under the following six programs.

**KOZ (Keystone Opportunity Zone) and KOEZ (Keystone Opportunity Expansion Zone)** provide tax abatements giving property owners 100% exemption from real estate taxes for 10 years, in order to foster economic opportunities, stimulate industrial, commercial and residential improvements and prevent physical and infrastructure deterioration within the designated areas, as well as creating new employment and diminishing blight. Abatements are obtained through application by the property owner each year.

**LERTA (Local Economic Revitalization Tax Assistance Program)** provide tax abatements for improvements to properties in deteriorated neighborhoods. Property taxes on these parcels are based on the current assessment; however, any tax increase resulting from improvements made to the property will be phased in over the course of ten years. By deferring the tax on the increased assessment, the LERTA legislation encourages owners of deteriorated property to make necessary improvements to the property.

**TIF (Tax Increment Financing Act)** authorizes local taxing bodies to cooperate in providing financing for public facilities and residential, commercial and industrial development and revitalization in order to eliminate or prevent the development or spread of blight within the respective jurisdictions. The taxing authority retains the base amount and the remainder is submitted to the authority managing the TIF for the period of the agreement. Usually 20 years.

**Clean and Green (Pennsylvania Farmland and Forest Land Assessment Act, Act 319)** is a state law, authorized by the state constitution, which allows qualifying land that is devoted to agricultural use, agricultural reserve, and forest land use, to be assessed at a value for that use rather than Fair Market Value. The intent of the program is to encourage property owners to retain their land in agricultural, open space, or forest land use, by providing some real estate tax relief.

**Act 515 (County program)** requires that land be designated as farm, forest, water supply, or open space, to be assessed at a value for that use rather than Fair Market Value. The intent of the program is to encourage property owners to preserve the land within the county.

**Act 4** – authorizes a real estate tax millage rate freeze for eligible open space property in the County of Northampton. The following categories of real property are hereby exempted from further millage increases:

- a. Real property in which the open space property interests have been acquired by a local government unit in accordance with the Open Space Lands legislation;
- b. Real property that is subject to an easement acquired in accordance with the Act of June 30, 1981 known as the “Agricultural Area Security Law”; and
- c. Real property from which the transferable development rights (TDR's) have been transferred and retired by a local government unit without their development potential having occurred on other lands.

**Information relevant to these programs for the year ended December 31, 2016 is:**

<b><u>Tax Abatement Program</u></b>	<b><u>Amount of Taxes Abated during the Year</u></b>
KOZ and KOEZ	\$17,897
LERTA	178,361
TIF	1,307,366
Clean and Green	1,904,827
Act 515	530,526
Act 4	2,627

**NOTE 15—PRIOR PERIOD ADJUSTMENT**

The County has adopted GASB Statement No. 68, *Accounting and Reporting for Pensions*; and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The Statement requires the County to report the defined pension liability and expense, as well as the related deferred outflows in the Statement of Net Position.

The correction of the actuarial reported Deferred Outflow of Resources at December 31, 2015 requires the restatement of the January 1, 2016 net position of the governmental activities as follows.

Net Position, January 1, as previously reported	\$69,839,895
One time adjustment to Deferred Outflow of Resources	<u>(5,154,034)</u>
Net Position, January 1, as restated	<u>\$64,685,861</u>

**NOTE 16—PUBLIC PRIVATE PARTNERSHIP (P3) PROJECT**

Northampton County General Purpose Authority (NCGPA) will be administering a project to replace or refurbish 33 bridges in Northampton County as allowed under PA Act 88 of 2012. On January 17, 2017, formal documents were signed establishing a Public Private Partnership (P3) between the NCGPA and Kriger Construction, Inc. There were additional agreements signed that relate to the project, most significantly the Project Service Agreement and the Project Administration Agreement.

The P3 Project is for a period of 14 years. During the first four years of the P3 agreement the bridges will be reconstructed by Kriger Construction, Inc., who will then maintain the bridges for the next 10 years. The cost of this project will be approximately \$38,000,000. Payments will be made throughout the period of the contract based on the completion of milestones established in the P3 agreement.

The Project Administration Agreement is an agreement with the Third-Party Engineer (TPE) to act as the NCGPA's representative with respect to the P3 Project and perform all duties and obligations and provide all services of the Third-Party Engineer as established in the P3 Agreement. This contract will run concurrently with the P3 Agreement and provides for payments to the TPE totaling approximately \$480,000. Payments will be made to the TPE during the first 5 years of the contract based on a schedule established as part of the contract.

The Project Service Agreement is the agreement between Northampton County and the NCGPA that run concurrently with the P3 agreement. The contract establishes the responsibilities of both parties relating to the P3 Project. Northampton County's responsibilities pertain primarily to transferring ownership of the bridges to the NCGPA and to provide funds to the NCGPA. The NCGPA's responsibilities pertain primarily facilitating the work related to the P3 project and to make the payments established in the P3 and a Project Administration Agreements.

The NCGPA was sued by unsuccessful bidders on the P3 Project who claimed that the Authority in appropriately chose Kriger Construction, Inc. as its contractor. The case was dismissed in Northampton County Court of Common Pleas. However, the plaintiffs have appealed this ruling to the Commonwealth Court of Pennsylvania. A court date has been set for June.



# **Required Supplementary Information**

**Northampton County Employees' Retirement System**  
**Schedule of Changes in the County's Net**  
**Pension Liability and Related Ratios**

	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Total Pension Liability</b>			
Service cost	\$ 9,774,779	\$ 9,226,084	\$ 9,738,163
Interest	26,974,410	28,274,799	27,259,364
Differences between expected and actual experience	3,992,292	1,698,144	3,157,679
Benefit payments, including refunds of member contributions	<u>(22,466,982)</u>	<u>(23,953,420)</u>	<u>(24,586,787)</u>
<b>Net Change in total pension liability</b>	18,274,499	15,245,607	15,568,419
<b>Total pension liability - beginning</b>	<u>366,410,964</u>	<u>384,685,463</u>	<u>399,931,070</u>
<b>Total pension liability - ending (a)</b>	<u>\$ 384,685,463</u>	<u>\$ 399,931,070</u>	<u>\$ 415,499,489</u>
 <b>Plan fiduciary net position</b>			
Contributions - employer	\$ 11,818,479	\$ 10,728,773	\$ 10,552,461
Contributions - member	5,496,537	5,154,034	5,512,253
Net investment income	20,806,812	(59,736)	26,641,956
Benefit payments, including refunds of member contributions	(22,466,982)	(23,953,420)	(24,586,787)
Administrative expense	(44,054)	(46,234)	(43,100)
<b>Net change in plan fiduciary net position</b>	<u>15,610,792</u>	<u>(8,176,583)</u>	<u>18,076,783</u>
<b>Plan fiduciary net position - beginning</b>	<u>332,121,517</u>	<u>347,732,309</u>	<u>339,555,726</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 347,732,309</u>	<u>\$ 339,555,726</u>	<u>\$ 357,632,509</u>
 <b>County's net pension liability - ending (a) - (b)</b>	 <u>\$ 36,953,154</u>	 <u>\$ 60,375,344</u>	 <u>\$ 57,866,980</u>
 <b>Plan fiduciary net position as a percentage of the total pension liability</b>	 90.39%	 84.90%	 86.07%
 <b>Covered-employee payroll</b>	 \$ 86,640,205	 \$ 82,941,510	 \$ 86,542,785
 <b>County's net pension liability as a percentage of covered-employee payroll</b>	 42.65%	 72.79%	 66.90%

GASB No. 67, "Financial Reporting for Pension Plans - an amendment to GASB Statement No. 25", was adopted in 2014. Therefore, only 3 years of data is available.

**Northampton County Employees' Retirement System  
Schedule of County Contributions**

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially determined contributions	\$ 11,818,479	\$ 10,728,281	\$ 10,552,461
Contributions in relation to the actuarially determined contributions	<u>(11,818,479)</u>	<u>(10,728,773)</u>	<u>(10,552,461)</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ (492)</u>	<u>\$ -</u>
Covered-employee payroll	\$ 86,640,205	\$ 82,941,510	\$ 86,542,785
Contributions as a percentage of covered-employee payroll	13.64%	12.94%	12.19%

**Notes to Schedule**

Valuation date January 1, 2014 January 1, 2015 January 1, 2016

Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level dollar
Remaining amortization period	24 years
Asset valuation method	Market value adjusted for unrecognized gains and losses from prior years
Inflation	3.0%
Salary increases	4.5% average, including inflation
Investment rate of return	7.5% net of pension plan investment expense, including inflation
Retirement age	Age 60 or 55 with 20 years' service
Mortality	2013 RP Annuitant and Non-Annuitant Mortality tables for males and females with no projected improvement

GASB No. 67, "Financial Reporting for Pension Plans - an amendment to GASB Statement No. 25", was adopted in 2014. Therefore, only 3 years of data is available.

**Northampton County Employees' Retirement System  
Schedule of Investment Returns**

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Annual money-weighted rate of return, net of investment expense	6.73%	0.50%	8.20%

GASB No. 67, "Financial Reporting for Pension Plans - an amendment to GASB Statement No. 25", was adopted in 2014. Therefore, only 3 years of data is available.

**Northampton County Postemployment Healthcare Plan  
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2007	\$ -	\$ 63,756,300	\$ 63,756,300	0.0%	\$ 69,080,601	92.3%
1/1/2008	2,608,058	67,544,500	64,936,442	3.9%	75,758,154	85.7%
1/1/2010	8,808,937	62,133,049	53,324,112	14.2%	88,991,071	59.9%
1/1/2012	14,059,569	69,314,409	55,254,840	20.3%	84,545,377	65.4%
1/1/2014	24,479,648	79,706,339	55,226,691	30.7%	86,640,205	63.7%
1/1/2016	29,185,033	77,139,035	47,954,002	37.8%	86,542,785	55.4%

The County of Northampton uses the projected unit credit method to calculate the unfunded actuarial accrued liability for the Postemployment Healthcare Plan. The actuarial study was completed in 2007, 2008, 2010, 2012, 2014 and 2016.

**Schedule of Employer Contributions**

Year	Annual Required Contribution (ARC)	Amount Contributed	Percentage Contributed
2011	\$ 5,809,254	\$ 5,809,254	100%
2012	5,600,530	5,600,530	100%
2013	5,606,797	5,606,797	100%
2014	5,664,770	5,664,770	100%
2015	5,723,123	5,723,123	100%
2016	4,848,135	4,848,135	100%

**Required Supplementary Information**  
**COUNTY OF NORTHAMPTON, PENNSYLVANIA**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**General Fund**  
**For the Year Ended December 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
Real estate taxes	\$ 95,375,000	\$ 95,375,000	\$ 96,019,519	\$ 644,519
Intergovernmental	3,025,200	7,829,250	5,279,566	(2,549,684)
Fees, fines, charges and miscellaneous	12,811,800	12,926,300	13,173,913	247,613
Investment income	290,700	290,700	380,882	90,182
Total revenues	<u>111,502,700</u>	<u>116,421,250</u>	<u>114,853,880</u>	<u>(1,567,370)</u>
<b>EXPENDITURES</b>				
General government:				
Council	638,200	688,200	570,549	117,651
Executive	206,900	206,900	198,814	8,086
Controller	862,000	862,000	815,742	46,258
Solicitor	522,200	528,783	514,225	14,558
Community & economic development	785,900	810,900	654,562	156,338
Human resources	1,470,400	1,470,400	1,403,866	66,534
Administration	6,308,775	6,302,575	5,755,275	547,300
Fiscal affairs	6,570,797	6,675,097	6,108,967	566,130
Contingency	75,000	-	-	-
	<u>17,440,172</u>	<u>17,544,855</u>	<u>16,022,000</u>	<u>1,522,855</u>
Court system and corrections:				
District attorney	4,685,200	4,709,200	4,514,240	194,960
Sheriff	6,681,900	6,686,500	6,381,627	304,873
Coroner	1,058,700	1,166,700	1,078,392	88,308
Public defender	1,640,000	1,640,000	1,621,438	18,562
Court services	3,264,767	3,190,267	2,835,843	354,424
Court administration	16,405,000	16,405,000	15,622,464	782,536
Corrections	29,291,500	29,291,500	27,973,437	1,318,063
Fiscal affairs	569,600	569,600	552,665	16,935
	<u>63,596,667</u>	<u>63,658,767</u>	<u>60,580,106</u>	<u>3,078,661</u>
Public works	5,281,026	10,128,576	7,767,317	2,361,259
Human services	1,372,300	2,312,000	1,863,561	448,439
Debt service:				
Principal	5,312,100	5,312,100	5,312,038	62
Interest	4,153,900	4,153,900	4,153,793	107
Total expenditures	<u>97,156,165</u>	<u>103,110,198</u>	<u>95,698,815</u>	<u>7,411,383</u>
Excess of revenues over expenditures	<u>14,346,535</u>	<u>13,311,052</u>	<u>19,155,065</u>	<u>5,844,013</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,100,100	1,100,100	1,107,459	7,359
Transfers out	(25,556,064)	(22,530,745)	(18,686,302)	3,844,443
Total other financing sources (uses)	<u>(24,455,964)</u>	<u>(21,430,645)</u>	<u>(17,578,843)</u>	<u>3,851,802</u>
Net change in fund balances	(10,109,429)	(8,119,593)	1,576,222	9,695,815
Fund balances -- January 1	<u>10,109,429</u>	<u>8,119,593</u>	<u>30,450,409</u>	<u>22,330,816</u>
Fund balances -- December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,026,631</u>	<u>\$ 32,026,631</u>

The notes to the financial statements are an integral part of this statement.

**COUNTY OF NORTHAMPTON, PENNSYLVANIA**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Children, Youth and Families Special Revenue Fund**  
**For the Year Ended December 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
Intergovernmental:				
Act 148	\$ 18,943,100	\$ 17,952,700	\$ 18,044,459	\$ 91,759
Title XX	270,600	270,600	270,641	41
Block grant	551,400	696,500	655,258	(41,242)
TANF	893,500	1,174,200	1,176,312	2,112
Title IV-E	4,383,400	5,153,700	4,725,362	(428,338)
Title IV-B	107,500	107,500	107,512	12
Federal and state - other	820,900	1,141,900	1,186,788	44,888
	<u>25,970,400</u>	<u>26,497,100</u>	<u>26,166,332</u>	<u>(330,768)</u>
Fees, fines, charges and miscellaneous	<u>1,924,500</u>	<u>1,981,100</u>	<u>2,445,117</u>	<u>464,017</u>
Total revenues	<u>27,894,900</u>	<u>28,478,200</u>	<u>28,611,449</u>	<u>133,249</u>
<b>EXPENDITURES</b>				
Court system and corrections:				
Adjudicated juvenile care	1,050,000	938,600	708,170	230,430
Juvenile detention home	<u>6,862,800</u>	<u>6,932,600</u>	<u>6,608,262</u>	<u>324,338</u>
	<u>7,912,800</u>	<u>7,871,200</u>	<u>7,316,432</u>	<u>554,768</u>
Human services:				
Salaries and wages	5,896,000	5,659,233	5,657,859	1,374
Employees' benefits	3,121,400	2,976,487	2,778,031	198,456
Capital outlay	49,700	90,920	90,919	1
Other operating	16,543,700	18,104,360	17,900,736	203,624
Information and referral emergency services	278,200	181,300	168,168	13,132
Planning and community development	267,800	257,800	256,247	1,553
Central service costs	<u>560,300</u>	<u>546,500</u>	<u>560,300</u>	<u>(13,800)</u>
	<u>26,717,100</u>	<u>27,816,600</u>	<u>27,412,260</u>	<u>404,340</u>
Debt service:				
Principal	666,600	666,600	666,561	39
Interest	<u>219,300</u>	<u>219,300</u>	<u>219,254</u>	<u>46</u>
Total expenditures	<u>35,515,800</u>	<u>36,573,700</u>	<u>35,614,507</u>	<u>959,193</u>
Deficiency of revenues under expenditures	<u>(7,620,900)</u>	<u>(8,095,500)</u>	<u>(7,003,058)</u>	<u>1,092,442</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	<u>7,620,900</u>	<u>8,095,500</u>	<u>7,003,058</u>	<u>(1,092,442)</u>
Total other financing sources	<u>7,620,900</u>	<u>8,095,500</u>	<u>7,003,058</u>	<u>(1,092,442)</u>
Net change in fund balances	-	-	-	-
Fund balances -- January 1	-	-	-	-
Fund balances -- December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Required Supplementary Information**  
**COUNTY OF NORTHAMPTON, PENNSYLVANIA**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Gracedale Nursing Home Special Revenue Fund**  
**For the Year Ended December 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
Intergovernmental:				
Medical assistance	\$ 39,420,000	\$ 49,806,999	\$ 53,702,914	\$ 3,895,915
Medicare	9,412,000	9,462,000	8,401,579	(1,060,421)
	<u>48,832,000</u>	<u>59,268,999</u>	<u>62,104,493</u>	<u>2,835,494</u>
Fees, fines, charges and miscellaneous	<u>13,475,000</u>	<u>13,475,000</u>	<u>13,739,017</u>	<u>264,017</u>
Total revenues	<u>62,307,000</u>	<u>72,743,999</u>	<u>75,843,510</u>	<u>3,099,511</u>
<b>EXPENDITURES</b>				
Human services:				
Salaries and wages	27,513,000	28,445,902	28,444,347	1,555
Employees' benefits	17,668,400	16,512,670	16,416,380	96,290
Capital outlay	327,407	403,057	388,870	14,187
Other operating	16,837,200	24,830,658	24,527,787	302,871
Central service costs	<u>2,875,700</u>	<u>2,502,700</u>	<u>2,502,700</u>	<u>-</u>
	<u>65,221,707</u>	<u>72,694,987</u>	<u>72,280,084</u>	<u>414,903</u>
Debt service:				
Principal	1,320,900	1,320,900	1,320,791	109
Interest	<u>572,900</u>	<u>572,900</u>	<u>572,773</u>	<u>127</u>
Total expenditures	<u>67,115,507</u>	<u>74,588,787</u>	<u>74,173,648</u>	<u>415,139</u>
Deficiency of revenues under expenditures	<u>(4,808,507)</u>	<u>(1,844,788)</u>	<u>1,669,862</u>	<u>3,514,650</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	<u>4,808,507</u>	<u>1,844,788</u>	<u>-</u>	<u>(1,844,788)</u>
Total other financing sources	<u>4,808,507</u>	<u>1,844,788</u>	<u>-</u>	<u>(1,844,788)</u>
Net change in fund balances	-	-	1,669,862	1,669,862
Fund balances -- January 1	-	-	-	-
Fund balances -- December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,669,862</u>	<u>\$ 1,669,862</u>

The notes to the financial statements are an integral part of this statement.



**Required Supplementary Information**  
**COUNTY OF NORTHAMPTON, PENNSYLVANIA**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**HealthChoices Special Revenue Fund**  
**For the Year Ended December 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
Intergovernmental:				
Categorically needy	\$ 6,579,600	\$ -	\$ -	\$ -
HC Expansion - Newly Eligible	-	14,025,200	14,488,126	462,926
SSI with medicare	6,255,600	6,733,000	6,739,131	6,131
SSI without medicare	24,143,800	22,195,000	22,415,039	220,039
Temp assistance needy families	<u>13,277,100</u>	<u>16,387,400</u>	<u>16,394,765</u>	<u>7,365</u>
	<u>50,256,100</u>	<u>59,340,600</u>	<u>60,037,061</u>	<u>696,461</u>
Investment income	<u>25,000</u>	<u>87,000</u>	<u>94,982</u>	<u>7,982</u>
Total revenues	<u>50,281,100</u>	<u>59,427,600</u>	<u>60,132,043</u>	<u>704,443</u>
<b>EXPENDITURES</b>				
Human services:				
Salaries and wages	304,900	323,700	301,842	21,858
Employees' benefits	139,800	141,300	111,764	29,536
Other operating	67,048,824	76,170,924	60,081,117	16,089,807
Central service costs	<u>52,900</u>	<u>57,000</u>	<u>57,000</u>	<u>-</u>
Total expenditures	<u>67,546,424</u>	<u>76,692,924</u>	<u>60,551,723</u>	<u>16,141,201</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(17,265,324)</u>	<u>(17,265,324)</u>	<u>(419,680)</u>	<u>16,845,644</u>
Net change in fund balances	<u>(17,265,324)</u>	<u>(17,265,324)</u>	<u>(419,680)</u>	<u>16,845,644</u>
Fund balance -- January 1,	<u>17,265,324</u>	<u>17,265,324</u>	<u>17,265,324</u>	<u>-</u>
Fund balances -- December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,845,644</u>	<u>\$ 16,845,644</u>

The notes to the financial statements are an integral part of this statement.

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## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

### **Budgetary Data**

The County follows these procedures when establishing the budgetary data reflected in the financial statements:

- 1) Prior to October 3, the Executive submits to the Council a proposed operating budget for the following calendar year. The operating budget includes proposed expenditures and the means of financing them for the general and special revenue funds.
- 2) The County budgets the capital projects funds over the life of the project in lieu of an annual budget. Consequently, a budget to actual comparison for the capital projects funds is not presented because such a statement would not be meaningful.
- 3) Public hearings are conducted at the Northampton County Courthouse to obtain taxpayer comments.
- 4) Prior to December 17, the budget is legally enacted through passage of a resolution. If Council fails to adopt the budget by this date, the budget submitted by the Executive shall be deemed adopted for the succeeding year, until such time as the Council shall adopt a budget for the remainder of that year.
- 5) Council maintains legal budgetary control at the departmental level and approves transfers between departments, whether between funds or within a fund, or revisions which alter the total revenues and expenditures of any fund. The Executive is authorized to transfer within departments, whether between funds or within a fund, subject however, to restrictions imposed by federal and state programs that dictate the appropriation of certain intergovernmental revenues. Budgetary information as amended by the approval process is presented in the combined operating statements at the program level.
- 6) Budgetary data is included in the County's computerized general ledger system and is employed as a management control device during the year for the general and special revenue funds.
- 7) Budgets for the general and special revenue funds are adopted on the modified accrual basis of accounting, which basis is consistent with accounting principles generally accepted in the United States of America.

The budgeted fund balance at the beginning of the year represents that portion of the actual beginning fund balance needed to finance the excess of current year budgeted appropriations over budgeted revenues.

The receipt of additional intergovernmental revenues required supplemental appropriations of approximately \$28.2 million in 2016. Appropriations of budgeted beginning fund balances in excess of amounts estimated in the budget were not required in 2016.

Unexpended appropriations lapse at the end of the year, except for originally budgeted capital appropriations, which continue until expended (maximum of three years). An appropriation for a capital project shall continue in force until the purpose for which it was made has been accomplished or abandoned.

# **Other Supplementary Information**

**COUNTY OF NORTHAMPTON, PENNSYLVANIA**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**December 31, 2016**

	<b>Special Revenue Funds</b>	<b>Hugh Moore Trust Permanent Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$15,645,719	\$ 111,915	\$ 15,757,634
Investments	-	1,365,137	1,365,137
Receivables:			
Taxes	188,330	-	188,330
Interest and dividends	-	987	987
Other	1,999,932	-	1,999,932
Due from other funds	8,783,237	-	8,783,237
Due from other governments	1,797,189	-	1,797,189
Total assets	<u>\$28,414,407</u>	<u>\$ 1,478,039</u>	<u>\$ 29,892,446</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 8,560,134	\$ -	\$ 8,560,134
Due to other funds	2,547,139	47,959	2,595,098
Due to other governments	191,386	-	191,386
Unearned revenue	1,265,248	-	1,265,248
Total liabilities	<u>12,563,907</u>	<u>47,959</u>	<u>12,611,866</u>
Fund balances:			
Non-Spendable:			
Permanent fund principal	-	1,000,000	1,000,000
Restricted for:			
Encumbrances	-	-	-
Community and economic developm	1,465,666	-	1,465,666
County wide surveys and studies	405,423	-	405,423
Drug and alcohol programs	586,869	-	586,869
Emergency services	50,806	-	50,806
Environmental projects			
Environmental projects	1,818,070	-	1,818,070
Future gaming grants	2,738,748	-	2,738,748
Future tourism grants	207,658	-	207,658
Bridge repairs and replacement	2,709,759	-	2,709,759
Louise Moore Park projects	962,947	430,080	1,393,027
Open space projects	-	-	-
Records improvements	846,702	-	846,702
Committed for:			
Open space projects	4,057,852	-	4,057,852
Total fund balances	<u>15,850,500</u>	<u>1,430,080</u>	<u>17,280,580</u>
Total liabilities and fund balances	<u>\$28,414,407</u>	<u>\$ 1,478,039</u>	<u>\$ 29,892,446</u>

**COUNTY OF NORTHAMPTON, PENNSYLVANIA**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2016**

	<u>Special Revenue Funds</u>	<u>Hugh Moore Trust Permanent Fund</u>	<u>Total</u>
<b>REVENUES</b>			
Taxes	\$ 2,547,973	\$ -	\$ 2,547,973
Intergovernmental	34,829,686	-	34,829,686
Fees, fines, charges and miscellaneous	9,077,824	-	9,077,824
Investment income	56,500	118,708	175,208
Total revenues	<u>46,511,983</u>	<u>118,708</u>	<u>46,630,691</u>
<b>EXPENDITURES</b>			
Current:			
General government	13,098,969	-	13,098,969
Court system and corrections	4,947,022	-	4,947,022
Public works	937,221	58,793	996,014
Human services	28,621,513	-	28,621,513
Debt Service:			
Principal	370,027	-	370,027
Interest	226,964	-	226,964
Total expenditures	<u>48,201,716</u>	<u>58,793</u>	<u>48,260,509</u>
Deficiency of revenues under expenditures	<u>(1,689,733)</u>	<u>59,915</u>	<u>(1,629,818)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	4,550,244	-	4,550,244
Transfers out	<u>(1,218,689)</u>	<u>-</u>	<u>(1,218,689)</u>
Total other financing sources (uses)	<u>3,331,555</u>	<u>-</u>	<u>3,331,555</u>
Net change in fund balances	1,641,822	59,915	1,701,737
Fund balances -- January 1	<u>14,208,678</u>	<u>1,370,165</u>	<u>15,578,843</u>
Fund balances -- December 31	<u>\$ 15,850,500</u>	<u>\$ 1,430,080</u>	<u>\$ 17,280,580</u>

**COUNTY OF NORTHAMPTON, PENNSYLVANIA**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**December 31, 2016**

	<u>Area Agency on Aging</u>	<u>Bridges</u>	<u>Community and Economic Development</u>	<u>Conduit</u>	<u>Develop- mental Programs</u>	<u>Domestic Relations</u>	<u>Drug and Alcohol</u>	<u>Emergency Services</u>
<b>ASSETS</b>								
Cash and cash equivalents	\$ 41,063	\$ 2,919,825	\$ 1,052	\$ 924	\$ -	\$ 200	\$ 200	\$ 272
Receivables:								
Hotel room rental taxes	-	-	-	-	-	-	-	-
Other	9,653	68,000	575,087	-	-	-	-	1,347,192
Due from other funds	886,957	-	902,458	450,952	1,148,615	-	1,112,292	-
Due from other governments	13,490	-	-	-	70,832	1,094,305	42,548	-
Total assets	<u>\$ 951,163</u>	<u>\$ 2,987,825</u>	<u>\$ 1,478,597</u>	<u>\$ 451,876</u>	<u>\$ 1,219,447</u>	<u>\$ 1,094,505</u>	<u>\$ 1,155,040</u>	<u>\$ 1,347,464</u>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts payable and accrued liabilities	\$ 718,824	\$ 213,317	\$ 12,931	\$ 46,453	\$ 858,006	\$ 5,732	\$ 298,678	\$ 113,287
Due to other funds	-	64,749	-	-	-	1,088,773	-	1,183,371
Due to other governments	-	-	-	-	191,386	-	-	-
Unearned revenue	232,339	-	-	-	170,055	-	269,493	-
Total liabilities	<u>951,163</u>	<u>278,066</u>	<u>12,931</u>	<u>46,453</u>	<u>1,219,447</u>	<u>1,094,505</u>	<u>568,171</u>	<u>1,296,658</u>
Fund balances:								
Restricted for:								
Community and Economic development	-	-	1,465,666	-	-	-	-	-
County wide surveys and studies	-	-	-	405,423	-	-	-	-
Drug and alcohol programs	-	-	-	-	-	-	586,869	-
Emergency services	-	-	-	-	-	-	-	50,806
Environmental protection	-	-	-	-	-	-	-	-
Future gaming grants	-	-	-	-	-	-	-	-
Future hotel tax grants	-	-	-	-	-	-	-	-
Bridge repairs and replacement	-	2,709,759	-	-	-	-	-	-
Louise Moore Park projects	-	-	-	-	-	-	-	-
Records improvements	-	-	-	-	-	-	-	-
Committed for:								
Open space projects	-	-	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>2,709,759</u>	<u>1,465,666</u>	<u>405,423</u>	<u>-</u>	<u>-</u>	<u>586,869</u>	<u>50,806</u>
Total liabilities and fund balances	<u>\$ 951,163</u>	<u>\$ 2,987,825</u>	<u>\$ 1,478,597</u>	<u>\$ 451,876</u>	<u>\$ 1,219,447</u>	<u>\$ 1,094,505</u>	<u>\$ 1,155,040</u>	<u>\$ 1,347,464</u>

<u>Environmental Protection</u>	<u>Gaming</u>	<u>Hotel Room Rental Tax</u>	<u>Louise Moore Pine Bequest</u>	<u>Mental Health</u>	<u>Open Space Initiative</u>	<u>Records Improvement and Automation</u>	<u>Total</u>
\$ 1,530,134	\$ 2,482,286	\$ -	\$ 995,347	\$ 1,200	\$ 7,673,216	\$ -	\$ 15,645,719
-	-	188,330	-	-	-	-	188,330
-	-	-	-	-	-	-	1,999,932
703,048	-	294,087	-	2,438,126	-	846,702	8,783,237
-	557,324	-	-	18,690	-	-	1,797,189
<u>\$ 2,233,182</u>	<u>\$ 3,039,610</u>	<u>\$ 482,417</u>	<u>\$ 995,347</u>	<u>\$ 2,458,016</u>	<u>\$ 7,673,216</u>	<u>\$ 846,702</u>	<u>\$ 28,414,407</u>
\$ 415,112	\$ 90,616	\$ 274,759	\$ 32,400	\$ 1,864,655	\$ 3,615,364	\$ -	\$ 8,560,134
-	210,246	-	-	-	-	-	2,547,139
-	-	-	-	-	-	-	191,386
-	-	-	-	593,361	-	-	1,265,248
<u>415,112</u>	<u>300,862</u>	<u>274,759</u>	<u>32,400</u>	<u>2,458,016</u>	<u>3,615,364</u>	<u>-</u>	<u>12,563,907</u>
-	-	-	-	-	-	-	1,465,666
-	-	-	-	-	-	-	405,423
-	-	-	-	-	-	-	586,869
-	-	-	-	-	-	-	50,806
1,818,070	-	-	-	-	-	-	1,818,070
-	2,738,748	-	-	-	-	-	2,738,748
-	-	207,658	-	-	-	-	207,658
-	-	-	-	-	-	-	2,709,759
-	-	-	962,947	-	-	-	962,947
-	-	-	-	-	-	846,702	846,702
-	-	-	-	-	4,057,852	-	4,057,852
<u>1,818,070</u>	<u>2,738,748</u>	<u>207,658</u>	<u>962,947</u>	<u>-</u>	<u>4,057,852</u>	<u>846,702</u>	<u>15,850,500</u>
<u>\$ 2,233,182</u>	<u>\$ 3,039,610</u>	<u>\$ 482,417</u>	<u>\$ 995,347</u>	<u>\$ 2,458,016</u>	<u>\$ 7,673,216</u>	<u>\$ 846,702</u>	<u>\$ 28,414,407</u>



**COUNTY OF NORTHAMPTON, PENNSYLVANIA**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended December 31, 2016**

	<u>Area Agency on Aging</u>	<u>Bridges</u>	<u>Community and Economic Development</u>	<u>Conduit</u>	<u>Develop- mental Programs</u>	<u>Domestic Relations</u>	<u>Drug and Alcohol</u>	<u>Emergency Services</u>
<b>REVENUES</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	5,816,381	1,449,528	85,380	3,416,746	6,045,874	3,347,960	2,871,285	56,070
Fees, fines, charges and miscellaneous	155,913	7,582	440,929	-	8,149	116,982	264,564	5,360,418
Investment income	<u>3,502</u>	<u>6,005</u>	<u>9,598</u>	<u>-</u>	<u>5,351</u>	<u>-</u>	<u>4,080</u>	<u>588</u>
Total revenues	<u>5,975,796</u>	<u>1,463,115</u>	<u>535,907</u>	<u>3,416,746</u>	<u>6,059,374</u>	<u>3,464,942</u>	<u>3,139,929</u>	<u>5,417,076</u>
<b>EXPENDITURES</b>								
Current:								
General government	-	-	541,472	1,926,527	-	-	-	5,697,759
Court system and corrections	-	-	-	-	-	4,769,043	-	-
Public works	-	870,917	-	-	-	-	-	-
Human services	6,390,480	-	-	1,084,796	6,440,625	-	3,053,120	-
Debt service:								
Principal	-	-	-	-	-	139,734	-	230,293
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>179,301</u>	<u>-</u>	<u>47,663</u>
Total expenditures	<u>6,390,480</u>	<u>870,917</u>	<u>541,472</u>	<u>3,011,323</u>	<u>6,440,625</u>	<u>5,088,078</u>	<u>3,053,120</u>	<u>5,975,715</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(414,684)</u>	<u>592,198</u>	<u>(5,565)</u>	<u>405,423</u>	<u>(381,251)</u>	<u>(1,623,136)</u>	<u>86,809</u>	<u>(558,639)</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	414,684	-	-	-	381,251	1,623,136	52,136	433,602
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>414,684</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>381,251</u>	<u>1,623,136</u>	<u>52,136</u>	<u>433,602</u>
Net change in fund balances	-	592,198	(5,565)	405,423	-	-	138,945	(125,037)
Fund Balances:								
January 1	<u>-</u>	<u>2,117,561</u>	<u>1,471,231</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>447,924</u>	<u>175,843</u>
December 31	<u>\$ -</u>	<u>\$ 2,709,759</u>	<u>\$ 1,465,666</u>	<u>\$ 405,423</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 586,869</u>	<u>\$ 50,806</u>

<u>Environ- mental Protection</u>	<u>Gaming</u>	<u>Hotel Room Rental Tax</u>	<u>Louise Moore Pine Bequest</u>	<u>Mental Health</u>	<u>Open Space Initiative</u>	<u>Records Improvement and Automation</u>	<u>Total</u>
\$ -	\$ -	\$ 2,547,973	\$ -	\$ -	\$ -	\$ -	\$ 2,547,973
552,513	-	-	-	11,163,537	-	24,412	34,829,686
72,084	2,383,784	-	-	28,968	-	238,451	9,077,824
2,349	1,140	-	4,173	11,259	7,529	926	56,500
<u>626,946</u>	<u>2,384,924</u>	<u>2,547,973</u>	<u>4,173</u>	<u>11,203,764</u>	<u>7,529</u>	<u>263,789</u>	<u>46,511,983</u>
388,176	623,758	2,483,919	-	-	1,426,210	11,148	13,098,969
-	-	-	-	-	-	177,979	4,947,022
-	-	-	54,655	-	11,649	-	937,221
-	-	-	-	11,652,492	-	-	28,621,513
-	-	-	-	-	-	-	370,027
-	-	-	-	-	-	-	226,964
<u>388,176</u>	<u>623,758</u>	<u>2,483,919</u>	<u>54,655</u>	<u>11,652,492</u>	<u>1,437,859</u>	<u>189,127</u>	<u>48,201,716</u>
<u>238,770</u>	<u>1,761,166</u>	<u>64,054</u>	<u>(50,482)</u>	<u>(448,728)</u>	<u>(1,430,330)</u>	<u>74,662</u>	<u>(1,689,733)</u>
-	-	-	-	448,728	1,196,707	-	4,550,244
-	(1,138,689)	-	-	-	-	(80,000)	(1,218,689)
-	(1,138,689)	-	-	448,728	1,196,707	(80,000)	3,331,555
238,770	622,477	64,054	(50,482)	-	(233,623)	(5,338)	1,641,822
<u>1,579,300</u>	<u>2,116,271</u>	<u>143,604</u>	<u>1,013,429</u>	<u>-</u>	<u>4,291,475</u>	<u>852,040</u>	<u>14,208,678</u>
<u>\$ 1,818,070</u>	<u>\$ 2,738,748</u>	<u>\$ 207,658</u>	<u>\$ 962,947</u>	<u>\$ -</u>	<u>\$ 4,057,852</u>	<u>\$ 846,702</u>	<u>\$ 15,850,500</u>

**COUNTY OF NORTHAMPTON, PENNSYLVANIA**  
**Combining Balance Sheet**  
**Capital Projects Funds**  
**December 31, 2016**

	<u>Capital Improvement Projects</u>	<u>2009 Bond Issue</u>	<u>2013 Bond Issue</u>	<u>Total Current Year</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,960,179	\$ -	\$ 5,958,780	\$ 10,918,959
Investments	8,573,820	-	-	8,573,820
Receivables:				
Interest and dividends	32,702	-	-	32,702
Due from other funds	<u>2,741,069</u>	<u>-</u>	<u>-</u>	<u>2,741,069</u>
Total assets	<u>\$ 16,307,770</u>	<u>\$ -</u>	<u>\$ 5,958,780</u>	<u>\$ 22,266,550</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 465,163	\$ -	\$ 117,933	\$ 583,096
Due to other funds	<u>-</u>	<u>-</u>	<u>500</u>	<u>500</u>
Total liabilities	<u>465,163</u>	<u>-</u>	<u>118,433</u>	<u>583,596</u>
Fund balances:				
Restricted for:				
Bond financed improvements	-	-	5,840,347	5,840,347
Committed for:				
Capital construction	<u>15,842,607</u>	<u>-</u>	<u>-</u>	<u>15,842,607</u>
Total fund balances	<u>15,842,607</u>	<u>-</u>	<u>5,840,347</u>	<u>21,682,954</u>
Total liabilities and fund balances	<u>\$ 16,307,770</u>	<u>\$ -</u>	<u>\$ 5,958,780</u>	<u>\$ 22,266,550</u>

**COUNTY OF NORTHAMPTON, PENNSYLVANIA**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Capital Projects Funds**  
**For the Year Ended December 31, 2016**

	<b>Capital Improvement Projects</b>	<b>2009 Bond Issue</b>	<b>2013 Bond Issue</b>	<b>Total</b>
<b>REVENUES</b>				
Investment income	\$ 67,935	\$ 78	\$ 7,230	\$ 75,243
Total revenues	<u>67,935</u>	<u>78</u>	<u>7,230</u>	<u>75,243</u>
<b>EXPENDITURES</b>				
Capital projects:				
Courthouse complex	689,726	-	144,116	833,842
Courthouse parking deck	-	57,281	-	57,281
County wide improvements	394,055	-	-	394,055
Gracedale complex	1,386,940	-	206,413	1,593,353
Jail	267,753	-	-	267,753
Archives building	3,195	-	-	3,195
Bridges	-	-	1,458,986	1,458,986
Park improvements and expansion	19,746	-	-	19,746
Total capital projects	<u>2,761,415</u>	<u>57,281</u>	<u>1,809,515</u>	<u>4,628,211</u>
Total expenditures	<u>2,761,415</u>	<u>57,281</u>	<u>1,809,515</u>	<u>4,628,211</u>
Deficiency of revenues under expenditures	<u>(2,693,480)</u>	<u>(57,203)</u>	<u>(1,802,285)</u>	<u>(4,552,968)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	7,253,900	-	-	7,253,900
Transfers out	(9,670)	-	-	(9,670)
Total other financing sources (uses)	<u>7,244,230</u>	<u>-</u>	<u>-</u>	<u>7,244,230</u>
Net change in fund balances	4,550,750	(57,203)	(1,802,285)	2,691,262
Fund balances -- January 1	11,291,857	57,203	7,642,632	18,991,692
Fund balances -- December 31	<u>\$ 15,842,607</u>	<u>\$ -</u>	<u>\$ 5,840,347</u>	<u>\$ 21,682,954</u>

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