County of Northampton

Financial Statements

December 31, 2019
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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, 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, 2019, 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, which is both a major governmental fund and 3.7%, 13.8%, and 0.9%, respectively, of the assets, net position, and revenues of the County’s governmental activities. 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 statements 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 County'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 County'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, each major fund, and the aggregate remaining fund information of County of Northampton, Pennsylvania, as of December 31, 2019, 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 - employees’ retirement system, schedule of investment returns - employees’ retirement system, schedule of changes in the County’s net OPEB liability and related ratios, schedule of County contributions - postemployment healthcare plan, schedule of investment returns - postemployment healthcare plan, 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, combining capital projects funds financial statements, and combining fiduciary 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.

The combining nonmajor governmental funds financial statements, combining nonmajor special revenue funds financial statements, combining capital projects funds financial statements, and combining fiduciary funds financial statements (as listed in the table of contents) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor governmental funds financial statements, combining nonmajor special revenue funds financial statements, combining capital projects funds financial statements, and combining fiduciary 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 July 29, 2020, 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.

RKL

July 29, 2020
Lancaster, Pennsylvania
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, 2019. Please read it in conjunction with the County's financial statements that follow this section.

FINANCIAL HIGHLIGHTS

Governmental Activities:

- The assets of the County of Northampton exceeded liabilities at the end of the year by $88.3 million (net position).
- The County is reporting an unrestricted deficit of ($16.9) million as of December 31, 2019. The unrestricted deficit represents the amount of funds by which the county's liabilities exceed unrestricted assets. The unrestricted deficit is due to the recent inclusion of the County's Pension and Other Post-Employment Benefits (OPEB) liabilities as explained in the following bullet.
- Pension and OPEB liabilities represent financial obligations of the county to employees and retirees. The enactment of GASB 67/68 and 74/75 requires government entities to report these commitments on the face of the financial statements. Prior to these GASB pronouncements, the actuarial calculation of these obligations was not required to be reported on the financial statements.
- The government's total net position increased by $8.3 million. In addition, the governmental fund balance increased $9.3 million.
- At the close of 2019 the County reported an ending net position of $88.3 million, an increase of $8.3 million. In addition to the increase to fund balance discussed below, the following items also contributed to the increase in net position in 2019:
  - Investments in capital assets increased $2.4 million as the County continues to replace or refurbish County bridges.
  - OPEB liability and related accounts decreased $3.9 million due to differences in actuarial estimates in both benefits paid and expected investment earnings in 2019.
  - Pension liability and related accounts decreased $963,236 due to differences in actuarial estimates in both claims paid and expected investment earnings in 2019.
  - Total debt increased $8.8 million (7.4%) during 2019. This increase is attributed to the issuance of 2019 Series A, B and C General Obligation Bonds which were in part used to purchase the DHS Human Service building thus eliminating the capital lease payable. Additionally, a portion of the proceeds from the 2019 bonds series were used to refund the 2012 Series B and the 2009 General Obligation Bonds. Additional information can be found in Note #7 of this report.

Governmental Funds:

- At the close of 2019 the County’s governmental funds reported an ending fund balance of $114.7 million, an increase of $9.3 million. This is primarily due to the following activity in 2019:
  - Capital Projects fund balance increased $7 million in 2019 due to the issuance of 2019 Series A, B and C General Obligation bonds. The proceeds of these bonds were partially offset by the refunding of the 2012 Series B and the 2009 General Obligation Bonds. Additional information can be found in Note #7 of this report.
  - Gracedale Nursing Home fund balance decreased $2 million as a result of decreased census which brought lower than anticipated revenues throughout the year, as well as increased expenditures to external nursing agencies to supplement the shortfall in regular staffing.
  - Total debt increased $8.8 million (7.4%) during 2019. This increase is attributed to the issuance of 2019 Series A, B and C General Obligation Bonds which were in part used to purchase the DHS Human Service building thus eliminating the capital lease payable. Additionally, a portion of the proceeds from the 2019 bonds series were used to refund the 2012 Series B and the 2009 General Obligation Bonds. Additional information can be found in Note #7 of this report.
  - Tax base growth generated approximately $1.8 million in additional general fund real estate tax revenue.
- At the end of 2019, the unassigned fund balance, that which is available for spending at the government’s discretion in the general fund, was $42.2 million, or 43.1% of total general fund expenditures.
- $17.8 million of the unassigned fund balance represents funds designated as financial stabilization.
OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is 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). More information is provided in Note #1.

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 fund, Gracedale Nursing Home fund, HealthChoices fund and Northampton County General Purpose Authority fund, all of which are considered major funds. Data for the two capital projects funds (the Capital Improvements fund and the 2013 Bond Issue
fund) are combined into a single, aggregate presentation and are also considered major funds. 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), and professional 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 $88.3 million at the close of 2019.

A large portion of the County of Northampton’s net position, $65.6 million (74.3%) 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 $39.6 million (44.8%) represents resources that are subject to external restrictions on how they may be used. At the end of 2019, the County of Northampton is reporting an unrestricted deficit of ($16.9) million.

County of Northampton Net Position
Governmental Activities

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>Change</th>
<th>2018-2019</th>
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<tbody>
<tr>
<td>Current and other assets</td>
<td>$172,488,748</td>
<td>$168,343,245</td>
<td>$4,145,503</td>
<td>2.5%</td>
</tr>
<tr>
<td>Capital assets</td>
<td>172,026,929</td>
<td>169,660,973</td>
<td>2,365,956</td>
<td>1.4%</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>344,515,677</strong></td>
<td><strong>338,004,218</strong></td>
<td><strong>6,511,459</strong></td>
<td><strong>1.9%</strong></td>
</tr>
<tr>
<td>Deferred outflow of resources - NPL</td>
<td>-</td>
<td>27,770,924</td>
<td>(27,770,924)</td>
<td>- %</td>
</tr>
<tr>
<td><strong>Total assets and deferred outflows</strong></td>
<td><strong>344,515,677</strong></td>
<td><strong>365,775,142</strong></td>
<td><strong>(21,259,465)</strong></td>
<td><strong>(5.8%)</strong></td>
</tr>
<tr>
<td>Long-term liabilities outstanding</td>
<td>130,614,317</td>
<td>174,077,867</td>
<td>(43,463,550)</td>
<td>(25.0%)</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>85,981,475</td>
<td>104,649,313</td>
<td>(18,667,838)</td>
<td>(17.8%)</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>216,595,792</strong></td>
<td><strong>282,727,180</strong></td>
<td><strong>(66,131,388)</strong></td>
<td><strong>(22.3%)</strong></td>
</tr>
<tr>
<td>Deferred inflow of resources - NOL</td>
<td>18,088,359</td>
<td>7,031,489</td>
<td>11,056,870</td>
<td>- %</td>
</tr>
<tr>
<td>Deferred inflow of resources - NPL</td>
<td>21,490,603</td>
<td>-</td>
<td>21,490,603</td>
<td>- %</td>
</tr>
<tr>
<td><strong>Total liabilities and deferred inflows</strong></td>
<td><strong>256,174,754</strong></td>
<td><strong>285,758,669</strong></td>
<td><strong>(29,583,915)</strong></td>
<td><strong>(10.4%)</strong></td>
</tr>
</tbody>
</table>

Net position:
- Net Investment in capital assets: $65,626,065
- Restricted: $39,578,369
- Unrestricted: (16,863,511)
- **Total net position**: $88,340,923

Change from 2018:
- Net Investment in capital assets: 0.5%
- Restricted: 4.8%
- Unrestricted: 37.2%
- **Total net position**: 10.4%
# County of Northampton Changes in Net Position

## Governmental Activities

<table>
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<th>2019</th>
<th>2018</th>
<th>Change</th>
<th>2018-2019</th>
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<tr>
<td><strong>Revenues:</strong></td>
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<td><strong>Program revenues:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charges for services</td>
<td>$43,532,774</td>
<td>$42,423,329</td>
<td>$1,109,445</td>
<td>2.6%</td>
</tr>
<tr>
<td>Operating grants and contributions</td>
<td>207,734,804</td>
<td>204,457,833</td>
<td>3,276,971</td>
<td>1.6%</td>
</tr>
<tr>
<td><strong>General revenues:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate tax</td>
<td>99,769,639</td>
<td>98,213,216</td>
<td>1,556,423</td>
<td>1.6%</td>
</tr>
<tr>
<td>Hotel tax</td>
<td>2,611,023</td>
<td>2,574,324</td>
<td>36,699</td>
<td>1.4%</td>
</tr>
<tr>
<td>Unrestricted investment earnings</td>
<td>3,701,561</td>
<td>2,502,689</td>
<td>1,198,872</td>
<td>47.9%</td>
</tr>
<tr>
<td>Gain on sale of assets</td>
<td>-</td>
<td>11,334</td>
<td>(11,334)</td>
<td>- %</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>$357,349,801</td>
<td>$350,182,725</td>
<td>$7,167,076</td>
<td>2.0%</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>36,424,857</td>
<td>31,838,710</td>
<td>4,586,147</td>
<td>14.4%</td>
</tr>
<tr>
<td>Court system and corrections</td>
<td>80,535,662</td>
<td>80,702,798</td>
<td>(167,136)</td>
<td>(0.2%)</td>
</tr>
<tr>
<td>Public works</td>
<td>8,451,933</td>
<td>8,708,172</td>
<td>(256,239)</td>
<td>(2.9%)</td>
</tr>
<tr>
<td>Human services</td>
<td>213,040,790</td>
<td>214,720,376</td>
<td>(1,679,586)</td>
<td>(0.8%)</td>
</tr>
<tr>
<td>Capital projects</td>
<td>890,308</td>
<td>-</td>
<td>890,308</td>
<td>- %</td>
</tr>
<tr>
<td>Interest on long-term debt</td>
<td>9,681,801</td>
<td>4,449,816</td>
<td>5,231,985</td>
<td>117.6%</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>$349,025,351</td>
<td>$340,419,872</td>
<td>$8,605,479</td>
<td>2.5%</td>
</tr>
<tr>
<td>Increase in net position</td>
<td>8,324,450</td>
<td>9,762,853</td>
<td>(1,438,403)</td>
<td>(14.7%)</td>
</tr>
<tr>
<td>Net position - January 1,</td>
<td>$80,016,473</td>
<td>$70,253,620</td>
<td>$9,762,853</td>
<td>13.9%</td>
</tr>
<tr>
<td>Net position - December 31</td>
<td>$88,340,923</td>
<td>$80,016,473</td>
<td>$8,324,450</td>
<td>10.4%</td>
</tr>
</tbody>
</table>

The County’s total revenue from governmental activities increased by 2% to $357.3 million. Of the County’s total revenue, 58.2% 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 28.6% 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 2.5% to $349 million. Approximately 84.1% of expenditures relate to the human services and court system and correction programs.
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 2019.

- As of the end of 2019, the County of Northampton’s governmental funds reported combined ending fund balances of $114.7 million, an increase of $9.3 million.
- The general fund unassigned fund balance of $42.2 million represents assets which may be used to meet the government’s ongoing obligations to citizens and creditors.
- $17.8 million of the unassigned fund balance represents funds designated as financial stabilization.
- $4.3 million of assigned fund balance represents fund balance needed to balance the 2020 budget.
- Other committed fund balances represent funds held for capital construction, mainly bridges included in the P-3 project ($16.2 million) and Open Space projects ($4.4 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 ($35 million) or 2) bond-financed capital construction projects ($11.6 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 2019, the general fund balance was $46.5 million. As a measure of general fund liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 47.5% of total general fund expenditures. The County of Northampton’s general fund balance increased $3.3 million during 2019 primarily due to the following:

- Increase in real estate tax revenues due to a growing tax base as well as increases in intergovernmental revenue and charges, fines and fees.
- Investment earnings increased $591,718 from prior year.
- The above revenue increases were partially offset by an increase in expenditures at the jail ($1) million due to a retro payment to the Correction Officers for a contract that had expired in 2017.

General Fund Budgetary Highlights

During 2019 General Fund budget revisions between the original and final amended budget were negligible in both the revenue and expenditure categories.

Significant variances between the final amended budget and actual revenue and expenditures were negligible with the exception of the following:

- Lower than anticipated public works expenditures ($5.4) million due to a reduction on P-3 milestone payments. Additional information on the P-3 Bridge project can be found in Note #16 of this report.
- Lower than anticipated intergovernmental revenue ($1) million consisting of positive and negative variances throughout all general fund programs.
CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The County of Northampton’s investment in capital assets for its governmental activities as of December 31, 2019, amounts to $172 million (net of accumulated depreciation), an increase of 1.4%. 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 and rehabilitation of the bridges contained in the County’s P3 agreement with the GPA, replacement of Inter-County Bridge 162, and interior renovations to the Louise Moore Park homestead. Major capital asset events during the current year included the following:

- Express Vote XL Voting machines and scanners, $2,869,901
- County Bridges 93, 118 and 226 applied Latex Modified Concrete overlays, $118,226
- Updated shower rooms at the Jail, $181,410
- Continued County-wide network switch refresh, $191,692
- Continued updates to the Nurse call system at Gracedale Nursing Home, $200,000

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>Change</th>
<th>2018-2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$12,064,076</td>
<td>$12,169,985</td>
<td>$(105,909)</td>
<td>(0.9%)</td>
</tr>
<tr>
<td>Land improvements</td>
<td>5,257,740</td>
<td>5,890,299</td>
<td>(632,559)</td>
<td>(10.7%)</td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>105,195,048</td>
<td>111,313,618</td>
<td>(6,118,570)</td>
<td>(5.5%)</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>16,876,831</td>
<td>15,074,265</td>
<td>1,802,566</td>
<td>12.0%</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>17,611,321</td>
<td>17,489,864</td>
<td>121,457</td>
<td>0.7%</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>15,021,913</td>
<td>7,722,942</td>
<td>7,298,971</td>
<td>94.5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$172,026,929</strong></td>
<td><strong>$169,660,973</strong></td>
<td><strong>$2,365,956</strong></td>
<td><strong>1.4%</strong></td>
</tr>
</tbody>
</table>

More detailed information about the County’s capital assets is presented in Note #6 of this report.
Long-term Debt

At the end of 2019 the County of Northampton had total bonded and note debt outstanding of $127.1 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

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>Change</th>
<th>2018-2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>General long-term obligations</td>
<td>$107,625,000</td>
<td>$85,520,000</td>
<td>$22,105,000</td>
<td>25.8%</td>
</tr>
<tr>
<td>Total bond debt</td>
<td>107,625,000</td>
<td>85,520,000</td>
<td>22,105,000</td>
<td>25.8%</td>
</tr>
<tr>
<td>Bond premium</td>
<td>10,729,683</td>
<td>8,386,157</td>
<td>2,343,526</td>
<td>27.9%</td>
</tr>
<tr>
<td>Bond discount</td>
<td>(313,647)</td>
<td>(929,392)</td>
<td>615,745</td>
<td>(66.3%)</td>
</tr>
<tr>
<td>GESA payable:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GESA financing</td>
<td>9,089,928</td>
<td>10,892,333</td>
<td>(1,802,405)</td>
<td>(16.5%)</td>
</tr>
<tr>
<td>Capital lease payable:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital lease building</td>
<td>-</td>
<td>14,468,731</td>
<td>(14,468,731)</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>$127,130,964</td>
<td>$118,337,829</td>
<td>$8,793,135</td>
<td>7.4%</td>
</tr>
</tbody>
</table>

Total debt increased $8.8 million (7.4%) during 2019. This increase is attributed to the issuance of 2019 Series A, B and C General Obligation Bonds which were in part used to purchase the DHS Human Service building thus eliminating the capital lease payable. Additionally, a portion of the proceeds from the 2019 bonds series were used to refund the 2012 Series B and the 2009 General Obligation Bonds.

Additional information can be found in Note #7 of this report.

The County received a bond rating of “AA” from Standard and Poor’s Rating Services for the 2019 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, 2019 was $914.4 million, and the total debt outstanding was $118 million, well below the legal debt limit. The County’s net non-electoral and lease rental debt limit at December 31, 2019 was $1,249.4 million, and the total debt outstanding was $127.1 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 2019 local unemployment rate for the County of Northampton was 4.2% compared to 4.4% in 2018. At the end of 2019, the County’s rate was lower than the Commonwealth of Pennsylvania’s rate of 4.4%, and higher than the national rate of 3.7%.
• 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 1.653%,
  – The average Philadelphia region rate was 2.011%,
  – The national rate was 1.812%.

All of these factors were considered in preparing the County of Northampton’s budget for 2019.

• At the end of 2019, unassigned fund balance in the general fund was $42.2 million. Subsequently, the County of Northampton presented a balanced budget and did not need to appropriate any fund balance for the 2019 budget year. It is intended that current year revenue will be sufficient for the 2019 operating budgets thus avoiding the need to use fund balance or increase taxes or fees and charges.

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.

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.
Basic Financial Statements
COUNTY OF NORTHAMPTON, PENNSYLVANIA  
Statement of Net Position  
December 31, 2019

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 107,085,628</td>
</tr>
<tr>
<td>Investments</td>
<td>19,592,203</td>
</tr>
<tr>
<td>Receivables:</td>
<td></td>
</tr>
<tr>
<td>Real estate taxes</td>
<td>5,259,299</td>
</tr>
<tr>
<td>Interest and dividends</td>
<td>307,258</td>
</tr>
<tr>
<td>Other</td>
<td>6,196,117</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>5,259,299</td>
</tr>
<tr>
<td>Due from other governments</td>
<td>33,838,532</td>
</tr>
<tr>
<td>Other assets</td>
<td>180,492</td>
</tr>
<tr>
<td>Capital assets:</td>
<td></td>
</tr>
<tr>
<td>Land and construction in progress</td>
<td>27,085,989</td>
</tr>
<tr>
<td>Other capital assets, net of depreciation</td>
<td>144,940,940</td>
</tr>
<tr>
<td>Total capital assets</td>
<td>172,026,929</td>
</tr>
<tr>
<td>TOTAL ASSETS</td>
<td>344,515,677</td>
</tr>
</tbody>
</table>

| LIABILITIES | |
| Accounts payable and accrued liabilities | 22,845,373 |
| Due to other governments | 890,257 |
| Unearned revenue | 3,239,317 |
| Other liabilities | 8,976,640 |
| Compensated absences: | |
| Due within one year | 895,000 |
| Due in more than one year | 6,820,539 |
| Accrued self-insurance claims: | |
| Due within one year | 1,874,739 |
| Due in more than one year | 2,174,958 |
| Long-term obligations payable: | |
| Due within one year | 11,005,595 |
| Due in more than one year | 116,125,369 |
| Net OPEB Liability | 36,254,554 |
| Net Pension Liability | 5,493,451 |
| Total liabilities | 216,595,792 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows of resources - OPEB | 18,088,359 |
| Deferred inflows of resources - pension | 21,490,603 |
| TOTAL LIABILITIES and DEFERRED INFLOWS OF RESOURCES | 256,174,754 |

| NET POSITION (DEFICIT) | |
| Net investment in capital assets | 65,626,065 |
| Restricted for: | |
| General Purpose Authority | 1,237,243 |
| County nursing home | 3,311,937 |
| Community and economic development | 1,856,575 |
| County wide surveys and studies | 85,386 |
| Drug and alcohol programs | 426,040 |
| Emergency services | 363,214 |
| Environmental projects | 1,892,351 |
| Future gaming grants | 3,324,398 |
| Future hotel tax grants | 739,025 |
| Bridge repairs and replacement | 3,523,923 |
| Louise Moore Park projects | 606,504 |
| Records improvements | 847,043 |
| Behavioral health programs | 16,796,292 |
| Workers compensation claims | 3,568,438 |
| Hugh Moore Trust, nonexpendable | 1,000,000 |
| Unrestricted | (16,863,511) |
| Total net position | $ 88,340,923 |

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, 2019

<table>
<thead>
<tr>
<th>Functions/Programs</th>
<th>Expenses</th>
<th>Indirect Expense Allocation</th>
<th>Charges for Services</th>
<th>Operating Grants and Contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Primary government:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government activities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>$39,301,703</td>
<td>$(2,876,846)</td>
<td>$17,501,400</td>
<td>$4,661,469</td>
</tr>
<tr>
<td>Court system and corrections</td>
<td>79,531,408</td>
<td>1,004,254</td>
<td>11,769,825</td>
<td>9,514,072</td>
</tr>
<tr>
<td>Public works</td>
<td>10,213,411</td>
<td>(1,761,478)</td>
<td>47,671</td>
<td>1,683,760</td>
</tr>
<tr>
<td>Human services</td>
<td>209,406,720</td>
<td>3,634,070</td>
<td>14,213,878</td>
<td>191,847,284</td>
</tr>
<tr>
<td>Capital projects</td>
<td>890,308</td>
<td>-</td>
<td>-</td>
<td>28,219</td>
</tr>
<tr>
<td>Interest on long-term debt</td>
<td>9,681,801</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total primary government</strong></td>
<td>$349,025,351</td>
<td>$-</td>
<td>$43,532,774</td>
<td>$207,734,804</td>
</tr>
</tbody>
</table>

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

The notes to the financial statements are an integral part of this statement.
<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net (Expense)</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Revenue and Changes in Net Position</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Governmental Activities</strong></td>
<td></td>
</tr>
<tr>
<td>$</td>
<td>(14,261,988)</td>
</tr>
<tr>
<td></td>
<td>(59,251,765)</td>
</tr>
<tr>
<td></td>
<td>(6,720,502)</td>
</tr>
<tr>
<td></td>
<td>(6,979,628)</td>
</tr>
<tr>
<td></td>
<td>(862,089)</td>
</tr>
<tr>
<td></td>
<td>(9,681,801)</td>
</tr>
<tr>
<td><strong>$</strong></td>
<td>(97,757,773)</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>$</td>
<td>99,769,639</td>
</tr>
<tr>
<td></td>
<td>2,611,023</td>
</tr>
<tr>
<td></td>
<td>3,701,561</td>
</tr>
<tr>
<td></td>
<td>106,082,223</td>
</tr>
<tr>
<td></td>
<td>8,324,450</td>
</tr>
<tr>
<td></td>
<td>80,016,473</td>
</tr>
<tr>
<td><strong>$</strong></td>
<td>88,340,923</td>
</tr>
</tbody>
</table>
## COUNTY OF NORTHAMPTON, PENNSYLVANIA

**Balance Sheet**

**Governmental Funds**

**December 31, 2019**

### ASSETS

<table>
<thead>
<tr>
<th></th>
<th>General</th>
<th>Children, Youth and Families</th>
<th>Capital Projects Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$41,237,513</td>
<td>$55,214</td>
<td>$23,209,694</td>
</tr>
<tr>
<td>Investments</td>
<td>13,428,601</td>
<td>-</td>
<td>2,943,352</td>
</tr>
<tr>
<td>Receivables:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>5,070,608</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Interest and dividends</td>
<td>204,347</td>
<td>-</td>
<td>62,990</td>
</tr>
<tr>
<td>Other</td>
<td>1,570,247</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>-</td>
<td>-</td>
<td>28,219</td>
</tr>
<tr>
<td>Due from other funds</td>
<td>9,663,975</td>
<td>-</td>
<td>3,105,194</td>
</tr>
<tr>
<td>Due from other governments</td>
<td>-</td>
<td>7,076,626</td>
<td>-</td>
</tr>
<tr>
<td>Due from component unit</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Loan receivable</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$71,175,291</strong></td>
<td><strong>$7,131,840</strong></td>
<td><strong>$29,349,449</strong></td>
</tr>
</tbody>
</table>

### LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th>General</th>
<th>Children, Youth and Families</th>
<th>Capital Projects Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>$6,557,578</td>
<td>$2,734,988</td>
<td>$1,549,761</td>
</tr>
<tr>
<td>Due to other funds</td>
<td>12,981,162</td>
<td>1,975,040</td>
<td>-</td>
</tr>
<tr>
<td>Due to other governments</td>
<td>-</td>
<td>458,926</td>
<td>-</td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>985,323</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>20,524,063</strong></td>
<td><strong>5,466,195</strong></td>
<td><strong>1,549,761</strong></td>
</tr>
</tbody>
</table>

### DEFERRED INFLOWS OF RESOURCES

<table>
<thead>
<tr>
<th></th>
<th>General</th>
<th>Children, Youth and Families</th>
<th>Capital Projects Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unavailable revenue</td>
<td>4,199,200</td>
<td>1,665,645</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total deferred inflows of resources</strong></td>
<td><strong>4,199,200</strong></td>
<td><strong>1,665,645</strong></td>
<td>-</td>
</tr>
</tbody>
</table>

### FUND BALANCE

**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
  - General Purpose Authority
  - Bond financed improvements

**Committed to:**
- Open space projects
- Capital construction

**Assigned to:**
- Subsequent years budget

**Unassigned:**
- Financial stabilization
- Other

<table>
<thead>
<tr>
<th></th>
<th>General</th>
<th>Children, Youth and Families</th>
<th>Capital Projects Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial stabilization</td>
<td>17,763,689</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>24,420,647</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total fund balances</strong></td>
<td><strong>46,452,028</strong></td>
<td><strong>-</strong></td>
<td><strong>27,799,688</strong></td>
</tr>
<tr>
<td><strong>Total liabilities, deferred inflows of resources and fund balances</strong></td>
<td><strong>$71,175,291</strong></td>
<td><strong>$7,131,840</strong></td>
<td><strong>$29,349,449</strong></td>
</tr>
</tbody>
</table>

The notes to the financial statements are an integral part of this statement.
<table>
<thead>
<tr>
<th>Gracedale Nursing Home</th>
<th>HealthChoices</th>
<th>General Purpose Authority</th>
<th>Other Governmental Funds</th>
<th>Total Governmental Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 4,118</td>
<td>$ 16,888,121</td>
<td>$ 1,171,794</td>
<td>$ 16,353,663</td>
<td>$ 98,920,117</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,545,293</td>
<td>17,917,246</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>-</td>
<td>188,691</td>
<td>5,259,299</td>
</tr>
<tr>
<td>1,085,387</td>
<td>55,100</td>
<td>491,860</td>
<td>2,993,523</td>
<td>6,196,117</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,051</td>
<td>268,388</td>
</tr>
<tr>
<td>16,228,261</td>
<td>8,263,619</td>
<td>-</td>
<td>2,270,026</td>
<td>33,838,532</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>28,219</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9,830,411</td>
<td>22,599,580</td>
</tr>
<tr>
<td>$ 17,317,766</td>
<td>$ 25,287,332</td>
<td>$ 1,663,654</td>
<td>$ 33,182,658</td>
<td>$ 185,107,990</td>
</tr>
<tr>
<td>$ 2,651,597</td>
<td>$ 359,426</td>
<td>$ 76,411</td>
<td>$ 7,750,796</td>
<td>$ 21,680,557</td>
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<tr>
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<td>140,297</td>
<td>350,000</td>
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<td>2,942,076</td>
<td>3,239,317</td>
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<tr>
<td>6,871,533</td>
<td>8,491,040</td>
<td>426,411</td>
<td>14,102,905</td>
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<tr>
<td>7,134,296</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>12,999,141</td>
</tr>
<tr>
<td>7,134,296</td>
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<td>-</td>
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<td>12,999,141</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,000,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>3,311,937</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,311,937</td>
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<tr>
<td>-</td>
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<td>1,856,575</td>
<td>1,856,575</td>
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<td>-</td>
<td>85,386</td>
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<td>426,040</td>
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<td>-</td>
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<td>363,214</td>
<td>363,214</td>
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<td>-</td>
<td>-</td>
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<td>1,892,351</td>
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<tr>
<td>-</td>
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<td>-</td>
<td>3,324,398</td>
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<td>-</td>
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<td>-</td>
<td>739,025</td>
<td>739,025</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,523,923</td>
<td>3,523,923</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>-</td>
<td>606,504</td>
<td>606,504</td>
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<tr>
<td>-</td>
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<td>-</td>
<td>847,043</td>
<td>847,043</td>
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<tr>
<td>-</td>
<td>-</td>
<td>-</td>
<td>16,796,292</td>
<td>16,796,292</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>1,237,243</td>
<td>-</td>
<td>1,237,243</td>
</tr>
<tr>
<td>3,311,937</td>
<td>16,796,292</td>
<td>1,237,243</td>
<td>19,079,753</td>
<td>114,676,941</td>
</tr>
<tr>
<td>$ 17,317,766</td>
<td>$ 25,287,332</td>
<td>$ 1,663,654</td>
<td>$ 33,182,658</td>
<td>$ 185,107,990</td>
</tr>
</tbody>
</table>
COUNTY OF NORTHAMPTON, PENNSYLVANIA
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2019

Total fund balances for governmental funds $ 114,676,941

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets and deposits on capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

- Land $ 12,064,076
- Construction in progress 15,021,913
- Land improvements, net of $8,451,205 accumulated depreciation 5,257,740
- Buildings and improvements, net of $106,135,720 accumulated depreciation 105,195,048
- Machinery and equipment, net of $28,103,079 accumulated depreciation 16,876,831
- Infrastructure, net of $6,907,111 accumulated depreciation 17,611,321

Total capital assets 172,026,929

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. 12,999,141

Internal service funds are used by the County to charge the costs of healthcare, workers' 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. 5,455,727

Deferred inflows and outflows related to OPEB are not financial resources and therefore are not reported in the governmental funds. (18,088,359)

Deferred inflows and outflows related to pension are not financial resources and therefore are not reported in the governmental funds. (21,490,603)

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, 2019 are:

- Accrued interest on bonds (644,345)
- Bonds and notes payable (107,625,000)
- Capital leases payable -
- GESA payable (9,089,928)
- Compensated absences (7,715,539)
- Net OPEB liability (36,254,554)
- Net pension liability (5,493,451)
- Unamortized discount 313,647
- Unamortized premium (10,729,683)

Total long-term liabilities (177,238,853)

Net position of governmental activities $ 88,340,923

The notes to the financial statements are an integral part of this statement.
## County of Northampton, Pennsylvania
### Statement of Revenues, Expenditures and Changes in Fund Balances
#### Governmental Funds
##### For the Year Ended December 31, 2019

<table>
<thead>
<tr>
<th></th>
<th>General Fund</th>
<th>Youth and Families Fund</th>
<th>Capital Projects Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>$ 100,113,438</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>4,137,487</td>
<td>28,374,846</td>
<td>28,219</td>
</tr>
<tr>
<td>Fees, fines, charges and miscellaneous</td>
<td>13,231,679</td>
<td>3,326,206</td>
<td>-</td>
</tr>
<tr>
<td>Investment income</td>
<td>2,053,062</td>
<td>-</td>
<td>415,791</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>119,535,666</td>
<td>31,701,052</td>
<td>444,010</td>
</tr>
</tbody>
</table>

| **EXPENDITURES**    |              |                         |                       |
| Current:            |              |                         |                       |
| General government  | 16,760,144   | -                       | -                     |
| Court system and corrections | 63,960,435 | 8,678,688 | -                     |
| Public works        | 5,440,198    | -                       | 151,104               |
| Human services      | 2,078,339    | 28,728,723              | -                     |
| Capital projects    | -            | -                       | 5,359,465             |
| Debt service:       |              |                         |                       |
| Principal           | 5,857,662    | 869,853                 | -                     |
| Interest            | 3,708,617    | 81,288                  | 101,679               |
| Debt issuance costs | -            | -                       | 766,928               |
| **Total expenditures** | 97,805,395   | 38,358,552              | 6,379,176             |

**Excess (deficiency) of revenues over (under) expenditures**: 21,730,271 (-6,657,500) (-5,935,166)

### OTHER FINANCING SOURCES (USES)

<table>
<thead>
<tr>
<th></th>
<th>General Fund</th>
<th>Youth and Families Fund</th>
<th>Capital Projects Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfers in</td>
<td>3,267,716</td>
<td>6,657,500</td>
<td>2,662,478</td>
</tr>
<tr>
<td>Transfers out</td>
<td>(21,690,135)</td>
<td>-</td>
<td>(2,098,906)</td>
</tr>
<tr>
<td>General obligation debt issued</td>
<td>-</td>
<td>-</td>
<td>80,266,269</td>
</tr>
<tr>
<td>Premium on bond issue</td>
<td>-</td>
<td>-</td>
<td>3,647,906</td>
</tr>
<tr>
<td>Payment to bond escrow agent - Principal</td>
<td>-</td>
<td>-</td>
<td>(65,830,000)</td>
</tr>
<tr>
<td>Payment to bond escrow agent - Interest</td>
<td>-</td>
<td>-</td>
<td>(5,668,774)</td>
</tr>
<tr>
<td><strong>Total other financing sources (uses)</strong></td>
<td>(18,422,419)</td>
<td>6,657,500</td>
<td>12,978,973</td>
</tr>
</tbody>
</table>

**Net change in fund balances**: 3,307,852 (-) 7,043,807

**Fund balances -- January 1**: 43,144,176 (-) 20,755,881

**Fund balances -- December 31**: $ 46,452,028 $ - $ 27,799,688

The notes to the financial statements are an integral part of this statement.
<table>
<thead>
<tr>
<th>Gracedale Nursing Home</th>
<th>HealthChoices</th>
<th>General Purpose Authority</th>
<th>Other Governmental Funds</th>
<th>Total Governmental Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 2,611,023</td>
<td>$ 102,724,461</td>
</tr>
<tr>
<td>65,941,519</td>
<td>71,110,601</td>
<td>500,000</td>
<td>35,321,066</td>
<td>205,413,738</td>
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<tr>
<td>13,166,176</td>
<td>-</td>
<td>394,530</td>
<td>12,034,249</td>
<td>42,152,840</td>
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<tr>
<td>-</td>
<td>462,970</td>
<td>9,978</td>
<td>508,767</td>
<td>3,450,568</td>
</tr>
<tr>
<td>79,107,695</td>
<td>71,573,571</td>
<td>904,508</td>
<td>50,475,105</td>
<td>353,741,607</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>947,316</td>
<td>20,962,331</td>
<td>38,669,791</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,880,904</td>
<td>77,520,027</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,593,591</td>
<td>7,184,893</td>
</tr>
<tr>
<td>79,293,593</td>
<td>72,674,680</td>
<td>-</td>
<td>29,127,864</td>
<td>211,903,199</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>2,407,127</td>
<td>-</td>
<td>7,766,592</td>
</tr>
<tr>
<td>1,476,133</td>
<td>-</td>
<td>-</td>
<td>398,757</td>
<td>8,602,405</td>
</tr>
<tr>
<td>436,669</td>
<td>-</td>
<td>-</td>
<td>124,525</td>
<td>4,452,778</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>666,928</td>
</tr>
<tr>
<td>81,206,395</td>
<td>72,674,680</td>
<td>3,354,443</td>
<td>57,087,972</td>
<td>356,866,613</td>
</tr>
<tr>
<td>(2,098,700)</td>
<td>(1,101,109)</td>
<td>(2,449,935)</td>
<td>(6,612,867)</td>
<td>(3,125,006)</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>2,407,127</td>
<td>10,051,030</td>
<td>25,045,851</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1,256,810)</td>
<td>(25,045,851)</td>
</tr>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>80,266,269</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
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<td>-</td>
<td>3,647,906</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(65,830,000)</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(5,668,774)</td>
</tr>
<tr>
<td>2,407,127</td>
<td>-</td>
<td>-</td>
<td>8,794,220</td>
<td>12,415,401</td>
</tr>
<tr>
<td>(2,098,700)</td>
<td>(1,101,109)</td>
<td>(42,808)</td>
<td>2,181,353</td>
<td>9,290,395</td>
</tr>
<tr>
<td>5,410,637</td>
<td>17,897,401</td>
<td>1,280,051</td>
<td>16,898,400</td>
<td>105,386,546</td>
</tr>
<tr>
<td>$ 3,311,937</td>
<td>$ 16,796,292</td>
<td>$ 1,237,243</td>
<td>$ 19,079,753</td>
<td>$ 114,676,941</td>
</tr>
</tbody>
</table>
Amounts reported for governmental activities in the statement of activities are different because:

. Net change in fund balances - total governmental funds

   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 capital outlays ($11,807,484) exceeded depreciation
   ($9,993,998) in the current period, net of disposals.

   $ 9,290,395

   In the statement of activities, the gain on the disposition of capital assets is reported.
   However, in the governmental funds only the proceeds from the sales are reported.
   The difference is the depreciated cost of capital asset disposals.

   (139,151)

   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.

   1,977,267

   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 those 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.

   (8,793,135)

   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.

   297,965

   The difference between current year OPEB expense reported in the statement of
   activities and the current year OPEB contributions reported as expenditures
   in the governmental funds.

   3,871,912

   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.

   963,326

   Internal service funds are used by management to charge the costs of employee fringe
   benefits, workers' compensation and professional liability to individual funds. The
   net revenue of healthcare, vision and prescription, workers' compensation,
   professional liability and inmate medical internal service funds is reported with
   governmental activities.

   (957,615)

   Change in net position of governmental activities

   $ 8,324,450

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, 2019

Governmental Activities

<table>
<thead>
<tr>
<th>Internal</th>
<th>Service</th>
<th>Fund</th>
</tr>
</thead>
</table>

### ASSETS
Current assets:
- Cash and cash equivalents: $8,165,511
- Investments: 1,675,957
- Receivables:
  - Interest and dividends: 38,870
  - Due from other funds: 45,557
- Other assets: 100,000
- Total assets: 10,025,895

### LIABILITIES
Current liabilities:
- Accounts payable and accrued liabilities: 520,471
- Accrued self-insurance claims: 1,874,739
  - Total current liabilities: 2,395,210

Noncurrent liabilities:
- Accrued self-insurance claims: 2,174,958
- Total noncurrent liabilities: 2,174,958
- Total liabilities: 4,570,168

### NET POSITION
- Restricted for workers' compensation claims: 3,568,438
- Unrestricted: 1,887,289
- Total net position: $5,455,727

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, 2019

<table>
<thead>
<tr>
<th>Governmental Activities</th>
<th>Internal Service Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING REVENUES</strong></td>
<td></td>
</tr>
<tr>
<td>Charges for services</td>
<td>$ 24,388,810</td>
</tr>
<tr>
<td>Total operating revenues</td>
<td>24,388,810</td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES</strong></td>
<td></td>
</tr>
<tr>
<td>Insurance claims and expenses</td>
<td>23,759,657</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>1,837,761</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>25,597,418</td>
</tr>
<tr>
<td>Operating loss</td>
<td>(1,208,608)</td>
</tr>
<tr>
<td><strong>NONOPERATING REVENUES</strong></td>
<td></td>
</tr>
<tr>
<td>Investment earnings</td>
<td>246,964</td>
</tr>
<tr>
<td>Net appreciation in fair value of investments</td>
<td>4,029</td>
</tr>
<tr>
<td>Total nonoperating revenues</td>
<td>250,993</td>
</tr>
<tr>
<td>Change in net position</td>
<td>(957,615)</td>
</tr>
<tr>
<td>Net position -- January 1</td>
<td>6,413,342</td>
</tr>
<tr>
<td>Net position -- December 31</td>
<td>$ 5,455,727</td>
</tr>
</tbody>
</table>

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, 2019

<table>
<thead>
<tr>
<th>Governmental Activities</th>
<th>Internal Service Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
</tr>
<tr>
<td>Receipts from benefits charges and claim reimbursements</td>
<td>$ 24,388,810</td>
</tr>
<tr>
<td>Payments for administration expenses</td>
<td>(1,837,761)</td>
</tr>
<tr>
<td>Payments for benefits</td>
<td>(24,822,748)</td>
</tr>
<tr>
<td>Net cash used in operating activities</td>
<td>(2,271,699)</td>
</tr>
</tbody>
</table>

| **CASH FLOWS FROM INVESTING ACTIVITIES** | |
| Proceeds from sales and maturities of investments | 7,811,248 |
| Purchase of investments | (3,666,248) |
| Interest and dividends received | 236,994 |
| Net cash provided by investing activities | 4,381,994 |
| Net increase in cash and cash equivalents | 2,110,295 |
| Cash and cash equivalents -- January 1 | 6,055,216 |
| Cash and cash equivalents -- December 31 | $ 8,165,511 |

**Reconciliation of operating loss to net cash used in operating activities:**

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating loss</td>
<td>$ (1,208,608)</td>
</tr>
<tr>
<td>Adjustments to reconcile operating loss to net cash used in operating activities:</td>
<td></td>
</tr>
<tr>
<td>Change in assets and liabilities:</td>
<td></td>
</tr>
<tr>
<td>Accounts and other payables</td>
<td>287,446</td>
</tr>
<tr>
<td>Due to other funds</td>
<td>71,996</td>
</tr>
<tr>
<td>Accrued self-insurance claims</td>
<td>(1,422,533)</td>
</tr>
<tr>
<td>Net cash used by operating activities</td>
<td>$ (2,271,699)</td>
</tr>
</tbody>
</table>

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, 2019

ASSETS

<table>
<thead>
<tr>
<th></th>
<th>Trust Funds</th>
<th>Agency Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$3,683,657</td>
<td>$9,610,909</td>
</tr>
<tr>
<td>Receivables:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>230,561</td>
<td>27,754</td>
</tr>
<tr>
<td>Total receivables</td>
<td>230,561</td>
<td>27,754</td>
</tr>
<tr>
<td>Investments, at fair value:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity mutual funds</td>
<td>347,076,334</td>
<td>-</td>
</tr>
<tr>
<td>Fixed income mutual funds</td>
<td>110,458,177</td>
<td>-</td>
</tr>
<tr>
<td>Real estate</td>
<td>25,722,999</td>
<td>-</td>
</tr>
<tr>
<td>Total investments</td>
<td>483,257,510</td>
<td>-</td>
</tr>
<tr>
<td>Restricted assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>-</td>
<td>436,979</td>
</tr>
<tr>
<td>Total assets</td>
<td>487,171,728</td>
<td>$10,075,642</td>
</tr>
</tbody>
</table>

LIABILITIES

Payables:

<table>
<thead>
<tr>
<th></th>
<th>Trust Funds</th>
<th>Agency Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>21,867</td>
<td>5,979,239</td>
</tr>
<tr>
<td>Investment management fees payable</td>
<td>101,760</td>
<td>-</td>
</tr>
<tr>
<td>Retirement refunds payable</td>
<td>2,802</td>
<td>-</td>
</tr>
<tr>
<td>Deposits held in trust</td>
<td>-</td>
<td>4,096,403</td>
</tr>
<tr>
<td>Accrued healthcare claims</td>
<td>108,000</td>
<td>-</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>234,429</td>
<td>$10,075,642</td>
</tr>
</tbody>
</table>

NET POSITION,
RESTRICTED FOR PENSIONS AND POST-EMPLOYMENT BENEFITS $486,937,299

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

**Contributions:**
- Charges for services: $19,837
- Plan members: 6,039,695
- Employer share of military buyback by employees: 10,654
- Employer contributions: 15,704,489
  - Total contributions: 21,774,675

**Investment earnings:**
- Interest and dividend income: 10,149,298
- Net increase in fair value of investments: 76,174,378
  - Total investment earnings: 86,323,676
- Less investment expense: (252,799)
- Net investment earnings: 86,070,877
  - Total additions: 107,845,552

## DEDUCTIONS

- Retirees' health benefit payments: 3,800,169
- Benefit payments: 26,793,568
- Refund of contributions: 881,249
- Administrative expenses: 50,899
  - Total deductions: 31,525,885
    - Change in net position: 76,319,667
  - Net position - January 1: 410,617,632
  - Net position - December 31: $486,937,299

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.

Effective January 1, 2017, the Northampton County General Purpose Authority (NCGPA) a legally separate component unit became a blended component unit of the County concurrent with the NCGPA's execution of a public private partnership agreement to rebuild or refurbish thirty-three bridges within the County (P3 Bridge Project Note #16). The terms of the P3 Service Agreement require, among other matters, the County to fund substantially all P3 Bridge Project costs including construction, engineering oversight, project management and related professional fees. Whereas the County has pledged appropriations as the primary source of payment of the project, the County is required to use the blending method of accounting for the NCGPA pursuant to GASB statement No. 14, as amended.

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.

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 Housing Authority
- Northampton County Higher Education 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 2019 the County appropriated an operating grant of $575,000 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

The blending method of accounting for component units requires the County to report the NCGPA assets, liabilities, fund balance, revenues & expenditures as if it were part of the primary government. Accordingly, the financial position and activities of the NCGPA are shown as a separate fund in the governmental funds’ financial statements and consolidated with governmental activities in the government-wide 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 a separate column for the governmental activities. 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.

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.

(Continued)
NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Measurement Focus and Basis of Accounting, Continued

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.

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.

(Continued)
NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Measurement Focus and Basis of Accounting, Continued

**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.

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.

(Continued)
5) Northampton County General Purpose Authority (NCGPA)—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 and the Public Private Partnership Bridge Project. (Note #16)

6) Capital Projects Fund—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.

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 Government Center 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 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. (Continued)
NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Budgetary Data, Continued

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.

The receipt of additional intergovernmental revenues required supplemental appropriations of approximately $7.8 million in 2019. Appropriations of budgeted beginning fund balances in excess of amounts estimated in the budget were not required in 2019.

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, 2019, 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 capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value.

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.

(Continued)
NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

 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.

 Self-Insurance Program

As of December 31, 2019, 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, 2019, 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:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable due to vendors</td>
<td>$17,303,390</td>
</tr>
<tr>
<td>Accrued payroll</td>
<td>4,897,638</td>
</tr>
<tr>
<td>Accrued interest payable</td>
<td>644,345</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$22,845,373</strong></td>
</tr>
</tbody>
</table>

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.

(Continued)
NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Compensated Absences, Continued

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued vacation liability</td>
<td>3,894,130</td>
</tr>
<tr>
<td>Accrued personal holiday liability</td>
<td>199,071</td>
</tr>
<tr>
<td>Accrued sick benefit liability</td>
<td>3,202,253</td>
</tr>
<tr>
<td>Accrued comp time liability</td>
<td>420,085</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$7,715,539</strong></td>
</tr>
</tbody>
</table>

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 will adopt in reporting year 2020, the provisions of GASB Statement No. 84, “Fiduciary Activities”.

The County will adopt in reporting year 2021 the provisions of GASB Statement No. 87, “Leases”.

The County has adopted in reporting year 2019, with no impact, the provisions of GASB Statement No. 88, “Certain Disclosures Related to Debt”.

The County will adopt in reporting year 2021 the provisions of GASB Statement No. 89, “Interest Cost Incurred before the End of a Construction Period”.

The County has adopted in reporting year 2019, with no impact, the provisions of GASB Statement No. 90, “Majority Equity Interests”.

(Continued)
NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Adoption of Governmental Accounting Standards Board (GASB) Statements, Continued

The County will adopt in reporting year 2022 the provisions of GASB Statement No. 91, “Conduit Debt Obligations”.

The County will adopt in reporting year 2022 the provisions of GASB Statement No. 92, “Omnibus 2020”.

The County will adopt in reporting year 2022 the provisions of GASB Statement No. 93, “Replacement of Interbank Offered Rates”.

The County will adopt in reporting year 2023 the provisions of GASB Statement No. 94, “Public-Private and Public-Public Partnerships and Availability Payment Arrangements”.

The County has adopted in reporting year 2019, with no impact, the provisions of GASB Statement No. 95, “Postponement of the Effective Dates of Certain Authoritative Guidance”.

As of December 31, 2019 the County has not determined the effect of the pending pronouncements.

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 2019 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 2019, Northampton County paid $553,793 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. 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. (Continued)
NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Joint Ventures, Continued

<table>
<thead>
<tr>
<th></th>
<th>Airport Authority</th>
<th>Transportation Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>December 31, 2018</td>
<td>June 30, 2019</td>
</tr>
<tr>
<td></td>
<td>Audited</td>
<td>Audited</td>
</tr>
<tr>
<td><strong>CONDENSED STATEMENT OF NET POSITION</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assets:</td>
<td>$ 27,690,833</td>
<td>$ 6,592,356</td>
</tr>
<tr>
<td>Current assets</td>
<td>4,439,055</td>
<td>14,660,593</td>
</tr>
<tr>
<td>Noncurrent assets</td>
<td>237,116,767</td>
<td>41,767,152</td>
</tr>
<tr>
<td>Capital assets, net</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>269,246,655</td>
<td>63,020,101</td>
</tr>
<tr>
<td>Deferred Outflow</td>
<td>2,232,584</td>
<td>2,665,538</td>
</tr>
<tr>
<td><strong>Liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td>11,398,126</td>
<td>6,510,563</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>54,686,091</td>
<td>30,145,811</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>66,084,217</td>
<td>36,656,374</td>
</tr>
<tr>
<td>Deferred Inflow</td>
<td>15,797</td>
<td>459,624</td>
</tr>
<tr>
<td><strong>Net position:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net investment in capital assets</td>
<td>193,619,761</td>
<td>41,767,152</td>
</tr>
<tr>
<td>Restricted</td>
<td>4,188,880</td>
<td>-</td>
</tr>
<tr>
<td>Unrestricted (deficit)</td>
<td>7,572,584</td>
<td>(13,197,511)</td>
</tr>
<tr>
<td><strong>Total net position</strong></td>
<td>$ 205,379,225</td>
<td>$ 28,569,641</td>
</tr>
</tbody>
</table>

**CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

|                                         | $ 32,392,516      | $ 12,245,808            |
| Operating revenues                      | (34,098,011)      | (43,037,928)            |
| Operating loss                          | (1,705,495)       | (30,792,120)            |
| Non-operating revenues (expenses)      | (568,213)         | 24,737,351              |
| Loss before capital contributions      | (2,273,708)       | (6,054,769)             |
| Capital contributions                   | 7,078,258         | 9,124,139               |
| Change in net position                  | 4,804,550         | 3,069,370               |
| Beginning net position                  | 200,574,675       | 25,500,271              |
| **Ending net position**                | $ 205,379,225     | $ 28,569,641            |

**CONDENSED STATEMENT OF CASH FLOWS**

| Net cash provided by (used in):        | $ 8,443,700       | $(24,996,714)           |
| Operating activities                   | -                 | 22,257,568              |
| Net increase (decrease)                | $ 9,340,395       | $(3,783,069)            |
| Beginning cash and cash equivalents    | 16,947,201        | 6,400,827               |
| **Ending cash and cash equivalents**   | $ 26,287,596      | $ 2,817,758             |

(Continued)
NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Net Position

The government-wide statement of net position reports $88.3 million of total net position, of which $39.6 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 #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 $17.7 million for 2019. The financial reserve is reported in the unassigned fund balance as Ordinance #526 does not meet the requirements to reflect the reserved funds as committed.

(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 2019, the calculated amount of $85,485 is recorded as a payable to the General Fund. The transfer will occur in 2020. The trust is included in the combining statements of the non-major governmental funds.

NOTE 2—DEPOSIT AND INVESTMENT RISK

As of December 31, 2019 the County had the following debt investments and maturities within its operating fund accounts.

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Fair Value</th>
<th>Less Than 1</th>
<th>1-5</th>
<th>6-10</th>
<th>More Than 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Government treasuries</td>
<td>$87,824</td>
<td>$-</td>
<td>$-</td>
<td>$56,510</td>
<td>$31,314</td>
</tr>
<tr>
<td>U.S. Government agencies</td>
<td>$151,868</td>
<td>$1,564</td>
<td>$-</td>
<td>$26,369</td>
<td>$123,935</td>
</tr>
<tr>
<td>Municipal bonds</td>
<td>$160,000</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$160,000</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>$17,942,787</td>
<td>$54,877</td>
<td>$17,887,910</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Total</td>
<td>$18,342,479</td>
<td>$56,441</td>
<td>$17,887,910</td>
<td>$82,879</td>
<td>$315,249</td>
</tr>
</tbody>
</table>

(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 10 and 50% 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 5 and 45% 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.
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, 2019.

<table>
<thead>
<tr>
<th>Investments Measured at Fair Value</th>
<th>Quoted Prices in Active Markets for Identical Assets (Level 1)</th>
<th>Significant Other Observable Inputs (Level 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>For Governmental Activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Investments by fair value level</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. treasuries</td>
<td>$ 87,824</td>
<td>$ 87,824</td>
</tr>
<tr>
<td>U.S. agencies</td>
<td>151,868</td>
<td>-</td>
</tr>
<tr>
<td>Municipal bonds</td>
<td>160,000</td>
<td>-</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>17,942,788</td>
<td>-</td>
</tr>
<tr>
<td>Total debt securities</td>
<td>18,342,480</td>
<td>87,824</td>
</tr>
<tr>
<td>Equity securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumer</td>
<td>206,817</td>
<td>206,817</td>
</tr>
<tr>
<td>Energy</td>
<td>24,555</td>
<td>24,555</td>
</tr>
<tr>
<td>Financials</td>
<td>218,457</td>
<td>218,457</td>
</tr>
<tr>
<td>Health Care</td>
<td>110,708</td>
<td>110,708</td>
</tr>
<tr>
<td>Industrials</td>
<td>109,380</td>
<td>109,380</td>
</tr>
<tr>
<td>Information Technology</td>
<td>233,304</td>
<td>233,304</td>
</tr>
<tr>
<td>Materials</td>
<td>22,242</td>
<td>22,242</td>
</tr>
<tr>
<td>Real Estate</td>
<td>19,322</td>
<td>19,322</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>66,721</td>
<td>66,721</td>
</tr>
<tr>
<td>Utilities</td>
<td>4,601</td>
<td>4,601</td>
</tr>
<tr>
<td>Total equity securities</td>
<td>1,016,107</td>
<td>1,016,107</td>
</tr>
<tr>
<td>Mutual funds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed income mutual funds</td>
<td>234,616</td>
<td>234,616</td>
</tr>
<tr>
<td>Total mutual funds</td>
<td>234,616</td>
<td>234,616</td>
</tr>
<tr>
<td>Total investments by fair value level</td>
<td>$ 19,593,203</td>
<td>$ 1,338,547</td>
</tr>
</tbody>
</table>

(Continued)
NOTE 2—DEPOSIT AND INVESTMENT RISK, CONTINUED

Investments Measured at Fair Value
For Fiduciary Activities

<table>
<thead>
<tr>
<th>Quoted Prices in</th>
<th>Significant Other</th>
<th>Significant Unobservable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active Markets</td>
<td>Observable Inputs</td>
<td>Unobservable Inputs</td>
</tr>
<tr>
<td>for Identical</td>
<td>Assets</td>
<td>Inputs</td>
</tr>
<tr>
<td>Assets</td>
<td>(Level 1)</td>
<td>(Level 2)</td>
</tr>
<tr>
<td>(Level 3)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>12/31/2019</th>
<th>(Level 1)</th>
<th>(Level 2)</th>
<th>(Level 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments by fair value level</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mutual funds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity mutual funds</td>
<td>347,076,334</td>
<td>347,076,334</td>
<td>-</td>
</tr>
<tr>
<td>Fixed income mutual funds</td>
<td>110,458,177</td>
<td>110,458,177</td>
<td>-</td>
</tr>
<tr>
<td>Total mutual funds</td>
<td>457,534,511</td>
<td>457,534,511</td>
<td>-</td>
</tr>
<tr>
<td>Total investments by fair value level</td>
<td>$457,534,511</td>
<td>$457,534,511</td>
<td>$</td>
</tr>
</tbody>
</table>

Investments measured at the net asset value (NAV)

<table>
<thead>
<tr>
<th>Unfunded Commitments</th>
<th>Redemption Frequency (if Currently Available)</th>
<th>Redemption Notice Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real estate funds (1)</td>
<td>25,722,999</td>
<td>Quarterly / Monthly</td>
</tr>
</tbody>
</table>
| Total investments measured at fair value | $483,257,510 | | | (Continued)

(1) 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 Pension and OPEB Plans’ 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.
NOTE 2—DEPOSIT AND INVESTMENT RISK, CONTINUED

As of December 31, 2019 the County’s operating investments had credit quality ratings as follows:

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Credit Quality Rating</th>
<th>Percent of Investment Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Government treasuries</td>
<td>Aaa</td>
<td>100.0%</td>
</tr>
<tr>
<td>U.S. Government agencies</td>
<td>Aaa</td>
<td>100.0%</td>
</tr>
<tr>
<td>Municipal bonds</td>
<td>A</td>
<td>100.0%</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>Aaa</td>
<td>0.3%</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>Aa1</td>
<td>99.7%</td>
</tr>
</tbody>
</table>

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 fair value of the fixed income portfolio.

(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 $118,845,776 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 fair value of the fixed income portfolio. U.S. Treasury securities are unlimited as a percentage of fixed income investments at cost or fair value, except that any single Treasury zero coupon issue is limited to 10% of the total fair value of the fixed income portfolio. Federal Agency securities are limited to 50% of fixed income investments at fair value, 25% per agency, and 10%, of the total fair 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 Hugh Moore Permanent trust funds are invested in the Federal National Mortgage Association, U.S. Treasury notes, Goldman Sachs Treasury Access, Federal Home Loan Mortgage Corporation, and U.S. Treasury bonds. These investments represent 35.1%, 19.2%, 18.6%, 16.4% and 10.6% 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:

<table>
<thead>
<tr>
<th>Cash and Cash Equivalents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiduciary fund types:</td>
</tr>
<tr>
<td>Agency funds:</td>
</tr>
<tr>
<td>Gracedale patients agency fund</td>
</tr>
<tr>
<td>Amounts held by the County nursing home in escrow for residents</td>
</tr>
</tbody>
</table>
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 2019 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2019 and those collections anticipated within the first sixty (60) days of 2020 are recognized as revenue in 2019. Net receivables estimated to be collectible subsequent to March 1, 2020, 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 2019 real estate tax levy:

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1, 2019</td>
<td>Tax lien is established</td>
</tr>
<tr>
<td>April 1, 2019</td>
<td>Real estate taxes must be paid on or before this due date; payments made on or before April 01, 2019 are eligible for a 2% discount; payments made after May 31, 2019 are assessed a 10% penalty.</td>
</tr>
<tr>
<td>January 31, 2020</td>
<td>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.</td>
</tr>
</tbody>
</table>

The following table lists the various dates relevant to the collection of delinquent 2019 real estate taxes:

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 31, 2020</td>
<td>Notices of unpaid delinquent taxes must be mailed to property owners on or before this date.</td>
</tr>
<tr>
<td>August 13, 2021</td>
<td>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.</td>
</tr>
<tr>
<td>September 1, 2021</td>
<td>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.</td>
</tr>
<tr>
<td>November 1, 2021</td>
<td>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.</td>
</tr>
</tbody>
</table>
Interfund receivable and payable balances of each individual fund as of December 31, 2019 are as follows:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Receivable</th>
<th>Payable</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Major governmental funds:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General fund</td>
<td>$ 9,663,975</td>
<td>$ 12,981,162</td>
</tr>
<tr>
<td>Children, youth and families</td>
<td>-</td>
<td>1,975,040</td>
</tr>
<tr>
<td>Capital improvements</td>
<td>3,105,194</td>
<td>-</td>
</tr>
<tr>
<td>Gracedale nursing home</td>
<td>-</td>
<td>4,219,936</td>
</tr>
<tr>
<td>General Purpose Authority</td>
<td>-</td>
<td>350,000</td>
</tr>
<tr>
<td>HealthChoices</td>
<td>-</td>
<td>140,297</td>
</tr>
<tr>
<td>Total major governmental funds</td>
<td>12,769,169</td>
<td>19,666,435</td>
</tr>
<tr>
<td><strong>Other governmental funds:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Area agency on aging</td>
<td>837,311</td>
<td>-</td>
</tr>
<tr>
<td>Bridges</td>
<td>-</td>
<td>62,747</td>
</tr>
<tr>
<td>Community and economic development</td>
<td>1,180,102</td>
<td>-</td>
</tr>
<tr>
<td>Conduit</td>
<td>874,490</td>
<td>-</td>
</tr>
<tr>
<td>Developmental programs</td>
<td>825,570</td>
<td>-</td>
</tr>
<tr>
<td>Domestic relations</td>
<td>-</td>
<td>867,969</td>
</tr>
<tr>
<td>Drug and alcohol</td>
<td>403,223</td>
<td>-</td>
</tr>
<tr>
<td>Emergency services</td>
<td>-</td>
<td>1,741,292</td>
</tr>
<tr>
<td>Environmental protection</td>
<td>717,847</td>
<td>-</td>
</tr>
<tr>
<td>Gaming</td>
<td>-</td>
<td>220,981</td>
</tr>
<tr>
<td>Hotel room rental tax</td>
<td>979,850</td>
<td>-</td>
</tr>
<tr>
<td>Hugh Moore trust</td>
<td>-</td>
<td>85,485</td>
</tr>
<tr>
<td>Mental health</td>
<td>3,168,770</td>
<td>-</td>
</tr>
<tr>
<td>Open space initiative</td>
<td>-</td>
<td>228</td>
</tr>
<tr>
<td>Records improvement and automation</td>
<td>843,248</td>
<td>-</td>
</tr>
<tr>
<td>Total other governmental funds</td>
<td>9,830,411</td>
<td>2,978,702</td>
</tr>
<tr>
<td><strong>Total governmental funds</strong></td>
<td>22,599,580</td>
<td>22,645,137</td>
</tr>
<tr>
<td><strong>Internal service fund:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Self-insurance</td>
<td>45,557</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total internal service fund</strong></td>
<td>45,557</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total interfund balances</strong></td>
<td>$ 22,645,137</td>
<td>$ 22,645,137</td>
</tr>
</tbody>
</table>

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)
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, 2019 are as follows:

### Major governmental funds:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Transferred From Other Funds</th>
<th>Transferred To Other Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>General fund</td>
<td>$3,267,716</td>
<td>$21,690,135</td>
</tr>
<tr>
<td>Children, youth and families</td>
<td>6,657,500</td>
<td>-</td>
</tr>
<tr>
<td>General Purpose Authority</td>
<td>2,407,127</td>
<td>-</td>
</tr>
<tr>
<td>Capital improvements</td>
<td>2,662,478</td>
<td>2,098,906</td>
</tr>
<tr>
<td><strong>Total major governmental funds</strong></td>
<td><strong>14,994,821</strong></td>
<td><strong>23,789,041</strong></td>
</tr>
</tbody>
</table>

### Other governmental funds:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Transferred From Other Funds</th>
<th>Transferred To Other Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area agency on aging</td>
<td>758,926</td>
<td>-</td>
</tr>
<tr>
<td>Bridges</td>
<td>86</td>
<td>-</td>
</tr>
<tr>
<td>Conduit</td>
<td>35,417</td>
<td>-</td>
</tr>
<tr>
<td>Domestic relations</td>
<td>1,535,896</td>
<td>-</td>
</tr>
<tr>
<td>Developmental programs</td>
<td>701,942</td>
<td>-</td>
</tr>
<tr>
<td>Drug and alcohol</td>
<td>94,406</td>
<td>-</td>
</tr>
<tr>
<td>Emergency services</td>
<td>505,356</td>
<td>-</td>
</tr>
<tr>
<td>Environmental protection</td>
<td>-</td>
<td>110,391</td>
</tr>
<tr>
<td>Gaming</td>
<td>400,000</td>
<td>1,006,419</td>
</tr>
<tr>
<td>Mental health</td>
<td>291,289</td>
<td>-</td>
</tr>
<tr>
<td>Open space initiative</td>
<td>3,162,967</td>
<td>-</td>
</tr>
<tr>
<td>Records improvement and automation</td>
<td>2,564,745</td>
<td>140,000</td>
</tr>
<tr>
<td><strong>Total other governmental funds</strong></td>
<td><strong>10,051,030</strong></td>
<td><strong>1,256,810</strong></td>
</tr>
<tr>
<td><strong>Total interfund transfers</strong></td>
<td><strong>$25,045,851</strong></td>
<td><strong>$25,045,851</strong></td>
</tr>
</tbody>
</table>
NOTE 6—CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

<table>
<thead>
<tr>
<th>GOVERNMENTAL ACTIVITIES</th>
<th>Beginning Balance</th>
<th>Increases</th>
<th>Decreases</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital assets, not being depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$12,169,985</td>
<td>$33,242</td>
<td>$(139,151)</td>
<td>$12,064,076</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>7,722,942</td>
<td>7,567,392</td>
<td>(268,421)</td>
<td>15,021,913</td>
</tr>
<tr>
<td>Total capital assets, not being depreciated</td>
<td>19,892,927</td>
<td>7,600,634</td>
<td>(407,572)</td>
<td>27,085,989</td>
</tr>
<tr>
<td>Capital assets, being depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land improvements</td>
<td>13,839,047</td>
<td>14,930</td>
<td>(145,032)</td>
<td>13,708,945</td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>213,856,672</td>
<td>657,885</td>
<td>(3,183,789)</td>
<td>211,330,768</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>50,790,752</td>
<td>5,123,384</td>
<td>(10,934,226)</td>
<td>44,979,910</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>23,858,134</td>
<td>660,298</td>
<td>-</td>
<td>24,518,432</td>
</tr>
<tr>
<td>Total capital assets, being depreciated</td>
<td>302,344,605</td>
<td>6,456,497</td>
<td>(14,263,047)</td>
<td>294,538,055</td>
</tr>
<tr>
<td>Total capital assets, historical cost</td>
<td>322,237,532</td>
<td>14,057,131</td>
<td>(14,670,619)</td>
<td>321,624,044</td>
</tr>
<tr>
<td>Less accumulated depreciation for:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land improvements</td>
<td>(7,948,748)</td>
<td>(621,792)</td>
<td>119,335</td>
<td>(8,451,205)</td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>(102,543,054)</td>
<td>(6,067,717)</td>
<td>2,475,051</td>
<td>(106,135,720)</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>(35,716,487)</td>
<td>(2,765,648)</td>
<td>10,379,056</td>
<td>(28,103,079)</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>(6,368,270)</td>
<td>(538,841)</td>
<td>-</td>
<td>(6,907,111)</td>
</tr>
<tr>
<td>Total accumulated depreciation</td>
<td>(152,576,559)</td>
<td>(9,993,998)</td>
<td>12,973,442</td>
<td>(149,597,115)</td>
</tr>
<tr>
<td>Total capital assets, net of accumulated depreciation</td>
<td>$169,660,973</td>
<td>$4,063,133</td>
<td>$(1,697,177)</td>
<td>$172,026,929</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>GOVERNMENTAL ACTIVITIES</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>General government</td>
<td>1,440,812</td>
</tr>
<tr>
<td>Court system and corrections</td>
<td>3,573,914</td>
</tr>
<tr>
<td>Public works</td>
<td>2,031,526</td>
</tr>
<tr>
<td>Human services</td>
<td>2,947,746</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9,993,998</strong></td>
</tr>
</tbody>
</table>
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, 2019.

<table>
<thead>
<tr>
<th>GOVERNMENTAL ACTIVITIES</th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Reductions</th>
<th>Ending Balance</th>
<th>Amounts Due within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds payable:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General obligation</td>
<td>$ 85,520,000</td>
<td>$ 94,735,000</td>
<td>$(72,630,000)</td>
<td>$ 107,625,000</td>
<td>$ 7,910,000</td>
</tr>
<tr>
<td>Bond premium</td>
<td>8,386,157</td>
<td>3,647,906</td>
<td>(1,304,380)</td>
<td>10,729,683</td>
<td>1,159,106</td>
</tr>
<tr>
<td>Bond discount</td>
<td>(929,392)</td>
<td>-</td>
<td>615,745</td>
<td>(313,647)</td>
<td>(33,844)</td>
</tr>
<tr>
<td>Total bonds payable</td>
<td>92,976,765</td>
<td>98,382,906</td>
<td>(73,318,635)</td>
<td>118,041,036</td>
<td>9,035,262</td>
</tr>
<tr>
<td>GESA payable:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GESA financing</td>
<td>10,692,333</td>
<td>-</td>
<td>(1,802,405)</td>
<td>9,089,928</td>
<td>1,970,333</td>
</tr>
<tr>
<td>Capital lease payable:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital lease building</td>
<td>14,468,731</td>
<td>-</td>
<td>(14,468,731)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensated absences</td>
<td>7,573,753</td>
<td>919,912</td>
<td>(778,126)</td>
<td>7,715,539</td>
<td>895,000</td>
</tr>
<tr>
<td>Net OPEB liability</td>
<td>51,183,336</td>
<td>-</td>
<td>(14,928,782)</td>
<td>36,254,554</td>
<td>-</td>
</tr>
<tr>
<td>Net pension liability</td>
<td>55,718,304</td>
<td>-</td>
<td>(50,224,853)</td>
<td>5,493,451</td>
<td>-</td>
</tr>
<tr>
<td>Self-insurance claims</td>
<td>5,472,230</td>
<td>24,589,139</td>
<td>(26,011,672)</td>
<td>4,049,697</td>
<td>1,874,739</td>
</tr>
<tr>
<td>Total other liabilities</td>
<td>119,947,623</td>
<td>25,509,051</td>
<td>(91,943,433)</td>
<td>53,513,241</td>
<td>2,769,739</td>
</tr>
<tr>
<td>Governmental activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>long-term liabilities</td>
<td>$ 238,285,452</td>
<td>$ 123,891,957</td>
<td>$(181,533,204)</td>
<td>$ 180,644,205</td>
<td>$ 13,775,334</td>
</tr>
</tbody>
</table>

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, 2019:

<table>
<thead>
<tr>
<th>GOVERNMENTAL ACTIVITIES</th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Reductions</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds and notes payable:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General obligation bonded debt</td>
<td>$ 7,155,000</td>
<td>$ 7,910,000</td>
<td>$(7,155,000)</td>
<td>$ 7,910,000</td>
</tr>
<tr>
<td>Bond premium</td>
<td>811,599</td>
<td>1,159,106</td>
<td>(811,599)</td>
<td>1,159,106</td>
</tr>
<tr>
<td>Bond discount</td>
<td>(83,601)</td>
<td>-</td>
<td>83,601</td>
<td>(83,601)</td>
</tr>
<tr>
<td>Total bonds and notes payable</td>
<td>7,882,998</td>
<td>9,035,252</td>
<td>(7,882,998)</td>
<td>9,035,252</td>
</tr>
<tr>
<td>GESA payable:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GESA financing</td>
<td>1,802,405</td>
<td>1,970,333</td>
<td>(1,802,405)</td>
<td>1,970,333</td>
</tr>
<tr>
<td>Other liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensated absences</td>
<td>910,000</td>
<td>895,000</td>
<td>(910,000)</td>
<td>895,000</td>
</tr>
<tr>
<td>Accrued self-insurance claims</td>
<td>2,428,486</td>
<td>23,436,395</td>
<td>(23,990,502)</td>
<td>1,874,739</td>
</tr>
<tr>
<td>Total other liabilities</td>
<td>3,338,846</td>
<td>24,331,395</td>
<td>(24,900,502)</td>
<td>2,769,739</td>
</tr>
<tr>
<td>Governmental activities short-term portion of long-term liabilities</td>
<td>$ 13,024,249</td>
<td>$ 35,336,990</td>
<td>$(34,585,905)</td>
<td>$ 13,775,334</td>
</tr>
</tbody>
</table>

(Continued)
NOTE 7—LONG-TERM OBLIGATIONS, CONTINUED

Long-term obligations of the County are comprised of the following: Balance at December 31, 2019

General obligation bonds:

- $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. $2,820,000

- $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. 10,095,000

- $23,035,000 2019 Series A Bonds due in annual installments of $5,000 to $5,195,000 through October 1, 2028; interest rates vary from 1.90% to 2.37%. The funds were used to finance the purchase the Human Services Building and for the construction of the Forensic Center. 23,030,000

- $4,870,000 2019 Series B Bonds due in annual installments of $20,000 to $570,000 through November 15, 2029; interest rates vary from 1.33% to 2.20%. The funds were used to finance the current refunding of the County’s General Obligation Bonds, Series 2009. 4,850,000

- $66,830,000 2019 Series C (Taxable) Bonds due in annual installments of $2,310,000 to $7,410,000 through October 1, 2030; interest rates vary from 1.867% to 2.691%. The funds were used to finance the current refunding of the County’s General Obligation Bonds, Series B of 2012. 66,830,000

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. 9,089,928

Unamortized Bond Premium 10,729,683
Unamortized Bond Discount (313,647)

$127,130,964

Accumulated Compensated Absences Balance $7,715,539
Net OPEB Liability $36,254,554
Net Pension Liability $5,493,451
Accrued Self-Insurance claims $4,049,697

(Continued)
NOTE 7—LONG-TERM OBLIGATIONS, CONTINUED

The County's outstanding debt from direct borrowings and direct placements are secured by a pledge of full faith, credit, and taxing power of the County. The County's debt agreements contain a covenant requiring the County to include the amount of debt service for the bonds in its budget for each fiscal year, that it will appropriate such amounts from its general revenues for the payment of such debt service in each such fiscal year and that it will duly and punctually pay or cause to be paid the principal of every bond and the interest thereon at the dates and place in the manner stated on the bonds.

In the event the County defaults in the payment of the principal of or interest on any of the Bonds after the same shall become due, whether at the stated maturity or upon call for prior redemption, and such default shall continue for thirty (30) days, or if the County fails to comply with any provision of the Bonds or the Ordinance, the Act provides that the holders of 25% in aggregate principal amount of the Bonds, then outstanding may, upon appropriate action as described in the Act, appoint a trustee who may be the Paying Agent, to represent the Bondholders.

At December 31, 2019, the County was in compliance with these covenants.

The County's legal debt margin at December 31, 2019 computed in accordance with the Commonwealth of Pennsylvania's Local Government Unit Debt Act of 1972, as amended, is $914,392,069 for general obligation bonds and $1,249,446,508 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, 2019, including interest payments of $20,300,216 are as follows:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total</th>
<th>Principal</th>
<th>Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$13,177,746</td>
<td>$9,880,333</td>
<td>$3,297,413</td>
</tr>
<tr>
<td>2021</td>
<td>13,295,311</td>
<td>10,028,947</td>
<td>3,266,364</td>
</tr>
<tr>
<td>2022</td>
<td>13,860,546</td>
<td>10,898,840</td>
<td>2,961,706</td>
</tr>
<tr>
<td>2023</td>
<td>14,081,090</td>
<td>11,451,806</td>
<td>2,629,284</td>
</tr>
<tr>
<td>2024</td>
<td>13,729,737</td>
<td>11,435,000</td>
<td>2,294,737</td>
</tr>
<tr>
<td>2025 - 2029</td>
<td>61,261,309</td>
<td>55,610,000</td>
<td>5,651,309</td>
</tr>
<tr>
<td>2030</td>
<td>7,609,405</td>
<td>7,410,002</td>
<td>199,403</td>
</tr>
<tr>
<td></td>
<td>$137,015,144</td>
<td>$116,714,928</td>
<td>$20,300,216</td>
</tr>
</tbody>
</table>

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, 2019 is $974,821,278 as per the following schedule.

(Continued)
### Component Unit—Conduit Debt Obligations, continued

Transactions of conduit debt for the year are as follows:

<table>
<thead>
<tr>
<th></th>
<th>January 1, Balance</th>
<th>Issued</th>
<th>Retired</th>
<th>December 31, Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Lafayette College:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Refunding Bond Series 2003</td>
<td>$10,190,000</td>
<td>$-</td>
<td>$-</td>
<td>$10,190,000</td>
</tr>
<tr>
<td>Variable Rate College Revenue Bonds Series 2006</td>
<td>11,000,000</td>
<td>-</td>
<td>-</td>
<td>11,000,000</td>
</tr>
<tr>
<td>Revenue Bond Series A&amp;B 2013</td>
<td>49,395,000</td>
<td>-</td>
<td>-</td>
<td>49,395,000</td>
</tr>
<tr>
<td>Revenue Bonds Series A &amp; B 2010</td>
<td>26,290,000</td>
<td>-</td>
<td>-</td>
<td>26,290,000</td>
</tr>
<tr>
<td>Revenue Bond Series 2017</td>
<td>136,050,000</td>
<td>-</td>
<td>-</td>
<td>136,050,000</td>
</tr>
<tr>
<td>Refunding Revenue Bonds Series 2018</td>
<td>21,345,000</td>
<td>-</td>
<td>-</td>
<td>21,345,000</td>
</tr>
<tr>
<td>Morningstar Senior Housing Revenue Bond Series 2017</td>
<td>8,272,850</td>
<td>15,156,348</td>
<td>(23,429,198)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Lehigh University:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bond Series 2001</td>
<td>1,945,000</td>
<td>-</td>
<td>(1,945,000)</td>
<td>-</td>
</tr>
<tr>
<td>Revenue Bond Series B 2000</td>
<td>14,815,000</td>
<td>-</td>
<td>(935,000)</td>
<td>13,880,000</td>
</tr>
<tr>
<td>Higher Education Revenue Bonds Series A and B 2006</td>
<td>5,505,000</td>
<td>-</td>
<td>(1,770,000)</td>
<td>3,735,000</td>
</tr>
<tr>
<td>Higher Education Revenue Bonds Series 2007 (CPI)</td>
<td>24,615,000</td>
<td>-</td>
<td>(900,000)</td>
<td>23,715,000</td>
</tr>
<tr>
<td>Higher Education Fixed Rate Bonds Series A of 2009</td>
<td>66,165,000</td>
<td>-</td>
<td>-</td>
<td>66,165,000</td>
</tr>
<tr>
<td>Higher Education Fixed Rate Bonds Series A of 2016</td>
<td>26,715,000</td>
<td>-</td>
<td>-</td>
<td>26,715,000</td>
</tr>
<tr>
<td>Higher Education Revenue Bonds Series B of 2016</td>
<td>73,770,000</td>
<td>-</td>
<td>(610,000)</td>
<td>73,160,000</td>
</tr>
<tr>
<td><strong>St Luke's Hospital:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue Bond Series A,B&amp;C of 2010</td>
<td>17,340,000</td>
<td>-</td>
<td>(1,605,000)</td>
<td>15,735,000</td>
</tr>
<tr>
<td>Revenue Bond Series D of 2010</td>
<td>15,658,600</td>
<td>-</td>
<td>(2,139,303)</td>
<td>13,519,297</td>
</tr>
<tr>
<td>Revenue Bond Series A &amp; B of 2013</td>
<td>63,890,000</td>
<td>-</td>
<td>-</td>
<td>63,890,000</td>
</tr>
<tr>
<td>Capital Lease Series 2014</td>
<td>12,538,515</td>
<td>-</td>
<td>(4,362,256)</td>
<td>8,176,259</td>
</tr>
<tr>
<td>Capital Lease Series 2015</td>
<td>16,815,181</td>
<td>-</td>
<td>(4,294,459)</td>
<td>12,520,722</td>
</tr>
<tr>
<td>Revenue Bond Series A 2016</td>
<td>217,845,000</td>
<td>-</td>
<td>(4,505,000)</td>
<td>213,340,000</td>
</tr>
<tr>
<td>Revenue Bond Series 2018</td>
<td>150,000,000</td>
<td>-</td>
<td>-</td>
<td>150,000,000</td>
</tr>
<tr>
<td><strong>Greater Lehigh Valley YMCA:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue Note Series 2019</td>
<td>-</td>
<td>62,405</td>
<td>(62,405)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Career Institute of Technology:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue Bond Series 2019</td>
<td>-</td>
<td>9,040,000</td>
<td>-</td>
<td>9,040,000</td>
</tr>
<tr>
<td><strong>Moravian College:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue Bond Series 2016</td>
<td>27,640,000</td>
<td>-</td>
<td>(680,000)</td>
<td>26,960,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$997,800,146</td>
<td>$24,258,753</td>
<td>$(47,237,621)</td>
<td>$974,821,278</td>
</tr>
</tbody>
</table>
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, 2019. The future minimum lease payments are as follows:

Operating Lease - Schedule of Future Minimum Lease Payments

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>447,125</td>
</tr>
<tr>
<td>2021</td>
<td>447,125</td>
</tr>
<tr>
<td>2022</td>
<td>111,781</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,006,031</strong></td>
</tr>
</tbody>
</table>

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 Pension Plan is overseen by PFM. 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 highest 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 highest 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.

(Continued)
NOTE 9—PENSION PLAN, CONTINUED

Benefits Provided, continued

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, 2019, the following employees were covered by the benefits terms:

<table>
<thead>
<tr>
<th>Description</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inactive Employees or Beneficiaries Currently Receiving Benefits</td>
<td>1,307</td>
</tr>
<tr>
<td>Inactive Employees Entitled to but not yet Receiving Benefits</td>
<td>126</td>
</tr>
<tr>
<td>Active Employees</td>
<td>1,923</td>
</tr>
<tr>
<td>Total</td>
<td>3,356</td>
</tr>
</tbody>
</table>

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, 2019 measurement period were as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Pension liability</td>
<td>$446,615,068</td>
</tr>
<tr>
<td>Plan fiduciary net position</td>
<td>(441,121,617)</td>
</tr>
<tr>
<td>Net pension liability</td>
<td>$5,493,451</td>
</tr>
</tbody>
</table>

Plan fiduciary net position as a percentage of the total pension liability: 98.77%

(Continued)
NOTE 9—PENSION PLAN, CONTINUED

Net Pension Liability, continued

The total pension liability was determined by an actuarial valuation for the 2019 measurement period, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date: January 1, 2019

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

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 2019 measurement period are summarized in the following table:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Target Allocation</th>
<th>Long-Term Expected Real Rate of Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic equity</td>
<td>43%</td>
<td>5.4 - 6.4%</td>
</tr>
<tr>
<td>International equity</td>
<td>22%</td>
<td>5.5 - 6.5%</td>
</tr>
<tr>
<td>Fixed income bonds</td>
<td>30%</td>
<td>1.3 - 3.3%</td>
</tr>
<tr>
<td>Real estate</td>
<td>5%</td>
<td>4.5 - 5.5%</td>
</tr>
<tr>
<td>Cash</td>
<td>0%</td>
<td>0.0 - 1.0%</td>
</tr>
</tbody>
</table>

Concentrations. As of December 31, 2019, the investments of the plan greater than 5% of the Plan’s fiduciary net position are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Asset Class</th>
<th>% Net Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>PFM Multi-Manager Domestic Equity</td>
<td>Domestic equity mutual fund</td>
<td>22%</td>
</tr>
<tr>
<td>Vanguard Total Stock Market Index</td>
<td>Domestic equity mutual fund</td>
<td>21%</td>
</tr>
<tr>
<td>PFM Multi-Manager Fixed-Income</td>
<td>Fixed income mutual fund</td>
<td>13%</td>
</tr>
<tr>
<td>PFM Multi-Manager International Equity</td>
<td>International equity mutual fund</td>
<td>11%</td>
</tr>
<tr>
<td>Vanguard Total International Stock Index</td>
<td>International equity mutual fund</td>
<td>7%</td>
</tr>
</tbody>
</table>

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.

(Continued)
NOTE 9—PENSION PLAN, CONTINUED

Changes in the Net Pension Liability

<table>
<thead>
<tr>
<th></th>
<th>Total Pension Liability</th>
<th>Plan Fiduciary Net Position</th>
<th>Net Pension Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 12/31/2018</td>
<td>$ 429,519,507</td>
<td>$ 373,801,203</td>
<td>$ 55,718,304</td>
</tr>
<tr>
<td>Changes for the Year</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service Cost</td>
<td>8,816,158</td>
<td>-</td>
<td>8,816,158</td>
</tr>
<tr>
<td>Interest</td>
<td>32,142,044</td>
<td>-</td>
<td>32,142,044</td>
</tr>
<tr>
<td>Changes of Benefit Terms</td>
<td>3,451,553</td>
<td>-</td>
<td>3,451,553</td>
</tr>
<tr>
<td>Actual Experience</td>
<td>360,623</td>
<td>-</td>
<td>360,623</td>
</tr>
<tr>
<td>Contributions - Employer</td>
<td>-</td>
<td>10,784,343</td>
<td>(10,784,343)</td>
</tr>
<tr>
<td>Contributions - Employee</td>
<td>-</td>
<td>6,050,349</td>
<td>(6,050,349)</td>
</tr>
<tr>
<td>Net Investment Income</td>
<td>-</td>
<td>78,205,089</td>
<td>(78,205,089)</td>
</tr>
<tr>
<td>Benefit Payments, Including Refunds of Employee Contributions</td>
<td>(27,674,817)</td>
<td>(27,674,817)</td>
<td>-</td>
</tr>
<tr>
<td>Administrative Expenses</td>
<td>-</td>
<td>(44,550)</td>
<td>44,550</td>
</tr>
<tr>
<td>Net Changes</td>
<td>17,095,561</td>
<td>67,320,414</td>
<td>(50,224,853)</td>
</tr>
<tr>
<td>Balance at 12/31/2019</td>
<td>$ 446,615,068</td>
<td>$ 441,121,617</td>
<td>$ 5,493,451</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th></th>
<th>1% Decrease (6.5%)</th>
<th>Current Discount Rate (7.5%)</th>
<th>1% Increase (8.5%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>County’s net pension liability</td>
<td>$50,164,426</td>
<td>$5,493,451</td>
<td>$(27,422,290)</td>
</tr>
</tbody>
</table>

Rate of Return on Investments

For the 2019 measurement period, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 21.25%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.
NOTE 9—PENSION PLAN, CONTINUED

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

For the year ended December 31, 2019, the County recognized pension expense of $9,821,017. At December 31, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<table>
<thead>
<tr>
<th>Description</th>
<th>Deferred Outflows of Resources</th>
<th>Deferred Inflows of Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Differences Between Expected and Actual Experience</td>
<td>$ 2,073,026</td>
<td>$ -</td>
</tr>
<tr>
<td>Net Difference Between Projected and Actual Earnings on Pension Plan Investments</td>
<td>-</td>
<td>$ 23,563,629</td>
</tr>
<tr>
<td>Total</td>
<td>$ 2,073,026</td>
<td>$ 23,563,629</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Year Ended December 31</th>
<th>Deferred Outflows of Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>(6,116,800)</td>
</tr>
<tr>
<td>2021</td>
<td>(5,757,044)</td>
</tr>
<tr>
<td>2022</td>
<td>389,951</td>
</tr>
<tr>
<td>2023</td>
<td>(10,006,710)</td>
</tr>
</tbody>
</table>

Payable to the Pension Plan

For the 2019 measurement period, the County had no outstanding amount of contributions to the pension plan required for the year ended December 31, 2019.
Plan Description

Plan administration. 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.

Plan membership. At January 1, 2018, the plan membership consisted of the following:

<table>
<thead>
<tr>
<th>Plan Membership Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inactive plan members or beneficiaries currently receiving benefits</td>
<td>791</td>
</tr>
<tr>
<td>Inactive plan members entitled to but not yet receiving benefits</td>
<td>0</td>
</tr>
<tr>
<td>Active plan members</td>
<td>921</td>
</tr>
<tr>
<td>Total membership</td>
<td>1712</td>
</tr>
</tbody>
</table>

Benefits provided. 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. Dependent coverage ceases with the death of the retiree. The retiree healthcare plan does not issue a separate publicly available financial report.

Healthcare retirement benefits are fully funded by the employer if the employee retired prior to January 1, 1996. Prior to May 3, 2018, if the employee retired subsequent to January 1, 1996, the retiree will contribute to the cost based on the healthcare contribution plan in effect at the time of their retirement. The contribution varied from a flat rate of $10 per month to a fixed percentage from 1% to 5% of the retiree's pension. Effective September 1, 2018, all retirees receiving medical benefits that retired after December 31, 1996, are charged a percentage of taxable pension benefit that varies based upon coverage level elected. The rates are 0% for retiree only, 3% for retiree plus one, and 5% for retiree plus family. The retiree charge for this medical insurance coverage is recognized in the retiree healthcare trust fund as a net against the benefit payments.

Contributions. 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 2019, the County contributed $4.9 million to the plan, including $3.4 million (approximately 69.4% of total contributions) for current costs and $1.5 million (approximately 30.6% of total contributions) to prefund benefits.

Investments

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

<table>
<thead>
<tr>
<th>Asset Allocation</th>
<th>Allocation Range</th>
<th>Allocation Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic equity</td>
<td>19-59%</td>
<td>39%</td>
</tr>
<tr>
<td>International equity</td>
<td>1-41%</td>
<td>21%</td>
</tr>
<tr>
<td>Fixed income</td>
<td>15-55%</td>
<td>35%</td>
</tr>
<tr>
<td>Real estate</td>
<td>0-20%</td>
<td>5%</td>
</tr>
<tr>
<td>Cash</td>
<td>0-20%</td>
<td>0%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

(Continued)
NOTE 10—POSTEMPLOYMENT HEALTHCARE PLAN, CONTINUED

Investments, continued

Concentrations. As of December 31, 2019, the investments of the plan greater than 5% of the Plan’s fiduciary net position are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Asset Class</th>
<th>% Net Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>PFM Multi-Manager Domestic Equity</td>
<td>Domestic equity mutual fund</td>
<td>25%</td>
</tr>
<tr>
<td>Vanguard Total Stock Market Index</td>
<td>Domestic equity mutual fund</td>
<td>16%</td>
</tr>
<tr>
<td>PFM Multi-Manager International Equity</td>
<td>International equity mutual fund</td>
<td>14%</td>
</tr>
<tr>
<td>PFM Multi-Manager Fixed-Income</td>
<td>Fixed income mutual fund</td>
<td>11%</td>
</tr>
<tr>
<td>Vanguard Total International Stock Index</td>
<td>International equity mutual fund</td>
<td>5%</td>
</tr>
</tbody>
</table>

Rate of return. For the 2019 measurement period, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 21.14%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability

The components of the net OPEB liability (NOL) of the County at December 31, 2019 were as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total OPEB liability</td>
<td>$82,070,236</td>
</tr>
<tr>
<td>Plan fiduciary net position</td>
<td>$(45,815,682)</td>
</tr>
<tr>
<td>Net OPEB liability</td>
<td>$36,254,554</td>
</tr>
</tbody>
</table>

Plan fiduciary net position as a percentage of the total OPEB liability 55.80%

Actuarial assumptions. The total OPEB liability (TOL) was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

- Inflation 3.0 percent
- Salary increases 4.5 percent
- Investment rate of return 7.5 percent including inflation
- Healthcare cost trend rates 5.4 percent initial, 3.84 percent ultimate

The life expectancy of all members (active and retired) is determined in accordance with the mortality rates set forth in the RP2000 mortality tables for males and females with improvement projected through 2020 for retirees and 2028 for active members.

The long-term expected rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan’s target asset allocation for the 2019 measurement period (see the discussion of the OPEB plan’s investment policy) are summarized in the following table:

<table>
<thead>
<tr>
<th>Asset Allocation</th>
<th>Long-Term Expected Real Rate of Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic equity</td>
<td>4.90%</td>
</tr>
<tr>
<td>International equity</td>
<td>4.90%</td>
</tr>
<tr>
<td>Fixed income</td>
<td>3.00%</td>
</tr>
<tr>
<td>Real estate</td>
<td>5.00%</td>
</tr>
<tr>
<td>Cash</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

(Continued)
NOTE 10—POSTEMPLOYMENT HEALTHCARE PLAN, CONTINUED

Net OPEB Liability, continued

Changes of assumptions. The initial trend rate used to project per capita claims costs from 2018 to 2019 has been updated to take into account the premium equivalent changes from 2018 to 2019. The initial trend adjustment is 1.27% for members with an age below 65 and (3.58)% for members 65 and above. This change caused a decrease in the County’s liability.

Discount rate. The discount rate used to measure the total OPEB liability was 7.50%. 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 that County contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability (i.e. no depletion date is projected to occur).

Changes in the Net OPEB Liability

<table>
<thead>
<tr>
<th></th>
<th>Total OPEB Liability</th>
<th>Plan Fiduciary Net Position</th>
<th>Net OPEB Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 12/31/2018</td>
<td>$87,999,765</td>
<td>$36,816,429</td>
<td>$51,183,336</td>
</tr>
<tr>
<td>Changes for the Year</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service Cost</td>
<td>506,110</td>
<td>-</td>
<td>506,110</td>
</tr>
<tr>
<td>Interest</td>
<td>6,498,011</td>
<td>-</td>
<td>6,498,011</td>
</tr>
<tr>
<td>Difference Between Expected and Actual Experience</td>
<td>(9,133,481)</td>
<td>-</td>
<td>(9,133,481)</td>
</tr>
<tr>
<td>Contributions - Employer</td>
<td>-</td>
<td>4,920,146</td>
<td>(4,920,146)</td>
</tr>
<tr>
<td>Charges for services</td>
<td>-</td>
<td>19,837</td>
<td>(19,837)</td>
</tr>
<tr>
<td>Net Investment Income</td>
<td>-</td>
<td>7,865,788</td>
<td>(7,865,788)</td>
</tr>
<tr>
<td>Benefit payments</td>
<td>(3,800,169)</td>
<td>(3,800,169)</td>
<td>-</td>
</tr>
<tr>
<td>Administrative Expenses</td>
<td>-</td>
<td>(6,349)</td>
<td>6,349</td>
</tr>
<tr>
<td>Net Changes</td>
<td>(5,929,529)</td>
<td>8,999,253</td>
<td>(14,928,782)</td>
</tr>
<tr>
<td>Balance at 12/31/2019</td>
<td>$82,070,236</td>
<td>$45,815,682</td>
<td>$36,254,554</td>
</tr>
</tbody>
</table>

(Continued)
NOTE 10—POSTEMPLOYMENT HEALTHCARE PLAN, CONTINUED

Changes in the Net OPEB Liability, continued

Sensitivity of the net OPEB liability. Changes in the discount and healthcare cost trend rate affect the measurement of the TOL. Lower discount rates produce a higher TOL, and higher discount rates produce a lower TOL, whereas lower trend rates produce a lower TOL, and higher trend rates produce a higher TOL. Because the trend rates do not affect the measurement of assets, the percentage change in the NOL can be very significant for a relatively small change in the trend rates. The table below shows the sensitivity of the NOL to the discount rate and trend:

<table>
<thead>
<tr>
<th>Percentage Change</th>
<th>Discount Rate</th>
<th>Percentage Change</th>
<th>Healthcare Cost Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1% Decrease</td>
<td>(6.5%)</td>
<td>1% Decrease</td>
<td>(4.4% decreasing to 2.84%)</td>
</tr>
<tr>
<td>Current (7.5%)</td>
<td></td>
<td>Current (5.4% decreasing to 3.84%)</td>
<td></td>
</tr>
<tr>
<td>$46,305,288</td>
<td>$36,254,554</td>
<td>$27,867,461</td>
<td>$25,577,384</td>
</tr>
</tbody>
</table>

OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

For the year ended December 31, 2019 the County recognized OPEB expense of $1,048,234. At December 31, 2019 the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<table>
<thead>
<tr>
<th>Description</th>
<th>Deferred Outflows of Resources</th>
<th>Deferred Inflows of Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Differences Between Expected and Actual Experience</td>
<td>$ -</td>
<td>$ (21,525,392)</td>
</tr>
<tr>
<td>Changes of Assumptions</td>
<td>4,338,799</td>
<td>-</td>
</tr>
<tr>
<td>Net Difference Between Projected and Actual Earnings on OPEB Plan Investments</td>
<td>3,148,489</td>
<td>(4,050,255)</td>
</tr>
<tr>
<td>Total</td>
<td>$ 7,487,288</td>
<td>$ (25,575,647)</td>
</tr>
</tbody>
</table>

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<table>
<thead>
<tr>
<th>Year Ended December 31</th>
<th>Deferred Inflows of Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>(3,139,429)</td>
</tr>
<tr>
<td>2021</td>
<td>(3,139,429)</td>
</tr>
<tr>
<td>2022</td>
<td>(3,139,429)</td>
</tr>
<tr>
<td>2023</td>
<td>(4,188,925)</td>
</tr>
<tr>
<td>2024</td>
<td>(3,176,362)</td>
</tr>
<tr>
<td>Thereafter</td>
<td>(1,304,785)</td>
</tr>
</tbody>
</table>

Payable to the OPEB Plan

For the 2019 measurement period, the County had no outstanding amount of contributions to the OPEB plan required for the year ended December 31, 2019.

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, 2019 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 $2,500; 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 $30,000 per year per individual. The County retains the risk of loss for prison inmate health care in excess of $30,000 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.

All accrued self-insurance liabilities at December 31, 2019 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:

<table>
<thead>
<tr>
<th></th>
<th>12/31/17</th>
<th>Current</th>
<th>Prior</th>
<th>12/31/18</th>
<th>Current</th>
<th>Prior</th>
<th>12/31/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Healthcare</td>
<td>$1,206,000</td>
<td>$27,484,983</td>
<td>$278,000</td>
<td>($22,880,107)</td>
<td>($4,420,876)</td>
<td>$1,668,000</td>
<td></td>
</tr>
<tr>
<td>Totals</td>
<td>$7,117,346</td>
<td>$28,323,070</td>
<td>($1,830,458)</td>
<td>($23,396,688)</td>
<td>($4,741,040)</td>
<td>$5,472,230</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>12/31/18</th>
<th>Current</th>
<th>Prior</th>
<th>12/31/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Healthcare</td>
<td>$1,668,000</td>
<td>$24,400,201</td>
<td>$243,000</td>
<td>($22,051,790)</td>
</tr>
<tr>
<td>Workers’ compensation</td>
<td>3,804,230</td>
<td>556,632</td>
<td>(610,694)</td>
<td>(418,274)</td>
</tr>
<tr>
<td>Totals</td>
<td>$5,472,230</td>
<td>$24,956,833</td>
<td>($367,694)</td>
<td>($22,470,064)</td>
</tr>
</tbody>
</table>
NOTE 13—COMMITMENTS AND CONTINGENCIES

Information Technology Services

Effective January 2019, the County entered into a contract with Vision Technologies, Inc. for information technology services. The contract is for a for a three-year period, with two optional five year extensions at a total cost of $33,676,314 for the thirteen years. The contract amount paid during year 2019 was $2,360,736.

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.

Unionized Employees

The County relies heavily on unionized employees. As of December 31, 2019, approximately 75% of County employees were unionized. The following chart lists the union and non-union groups.

<table>
<thead>
<tr>
<th>Union Group</th>
<th>Contract Dates</th>
<th>Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFSCME Correction Officers</td>
<td>From - To</td>
<td></td>
</tr>
<tr>
<td>AFSCME Court-Appointed Non-Professionals</td>
<td>01/01/2018</td>
<td>212</td>
</tr>
<tr>
<td>AFSCME Court-Related Non-Professionals</td>
<td>01/01/2018</td>
<td>61</td>
</tr>
<tr>
<td>AFSCME Gracedale Nursing Home</td>
<td>01/01/2019</td>
<td>929</td>
</tr>
<tr>
<td>AFSCME Residual</td>
<td>01/01/2018</td>
<td>236</td>
</tr>
<tr>
<td>AFSCME Youth Detention Center</td>
<td>01/01/2014</td>
<td>57</td>
</tr>
<tr>
<td>Deputy Sheriff's Association</td>
<td>01/01/2014</td>
<td>71</td>
</tr>
<tr>
<td>Northampton County Detective's Association</td>
<td>01/01/2016</td>
<td>7</td>
</tr>
<tr>
<td>PSSU Human Services</td>
<td>01/01/2012</td>
<td>207</td>
</tr>
<tr>
<td>Steelworkers Gracedale Nursing Home</td>
<td>01/01/2016</td>
<td>111</td>
</tr>
</tbody>
</table>

Non-Union: 649
Elected: 12

Total: 2,682

Six union contracts were expired as of December 31, 2019 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.

Keystone Opportunity Zone (KOZ) and Keystone Opportunity Expansion Zone (KOEZ) 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, 2019 is:

<table>
<thead>
<tr>
<th>Tax Abatement Program</th>
<th>Amount of Taxes Abated during the Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>KOZ and KOEZ</td>
<td>$14,146</td>
</tr>
<tr>
<td>LERTA</td>
<td>796,855</td>
</tr>
<tr>
<td>TIF</td>
<td>1,553,715</td>
</tr>
<tr>
<td>Clean and Green</td>
<td>1,942,959</td>
</tr>
<tr>
<td>Act 515</td>
<td>504,475</td>
</tr>
<tr>
<td>Act 4</td>
<td>2,481</td>
</tr>
</tbody>
</table>
NOTE 15—SUBSEQUENT EVENTS

The County has evaluated subsequent events through July 29, 2020. This is the date the financial statements were available to be issued. No material event subsequent to December 31, 2019, other than the following matter.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. The actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economy, financial markets, and the geographical area in which the County operates. It is unknown how long these conditions will last and what the complete financial effect will be to the County. Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.

No other material events subsequent to December 31, 2019 were noted.
Northampton County General Purpose Authority (NCGPA) is administering a project to replace or refurbish 33 bridges in Northampton County as allowed under PA Act 88 of 2012. During 2019, work on the project came to a halt as the parties involved had disagreements over the quality and timeliness of the work being performed. As of the date of the auditor’s report, work has restarted, and negotiations are ongoing relating to a significant modification of the P3 agreement.

On January 17, 2017, formal documents establishing a Public Private Partnership (P3) between NCGPA and Kriger Construction, Inc. were signed. There were additional agreements that relate to the project, the most significant of which are the Project Administration Agreement and the Service Agreement.

The P3 Contract as it is currently written covers a period of 14 years. For the first 4 years of the Contract the bridges are to be reconstructed by Kriger Construction, Inc., who will then maintain each bridge for 10 years following the date of acceptance of each improved bridge. Based on the P3 Contract, as it currently stands, total payments to Kriger Construction, Inc., over the life of the Contract, for construction services are $37,481,403. During 2019, NCGPA paid Kriger Construction, Inc. $2,082,731 for work performed for a cumulative total of $9,582,731, since inception of the contract. Accordingly, the remaining balance to be paid on the contract as of December 31, 2019 is $27,898,672.

As of December 31, 2019, Kriger Construction, Inc. is not in compliance with the milestone requirements established in the P3 Contract. In November 2019, the Board of Directors approved the issuance of a Developer Default Notice to Kriger Construction, Inc. due to its failure to complete five of five available bridges scheduled by Kriger Construction, Inc. for substantial completion in 2019. It is unknown how the lack of progress on the project during 2019 will affect the amount and timing of payments to Kriger Construction, Inc. over the remaining life of the P3 contract.

The original contract also includes payments for maintenance services of $99,500 per year from 2021 through 2030 for a total of $995,000.

In connection with the reconstruction of certain bridges, utility relocation costs are being incurred. It is estimated that these costs will total approximately $300,000 for the remainder of the P3 project.

The Project Administration Agreement is an agreement with the Third-Party Engineer (TPE) to act as NCGPA's representative with respect to the P3 Project and perform all duties and obligations and provide all services of the TPE as established in the P3 Agreement. This contract runs concurrently with the P3 Agreement and provides for payments to the TPE totaling approximately $480,000. Payments to be made to the TPE during the first 5 years of the contract are based on a schedule established as part of the contract. As a result of the issues surrounding the P3 project, TPE fees not anticipated in the original contract have been incurred. Accordingly, due to the expanded scope of TPE services NCGPA agreed to two supplements to the original contract totaling approximately $148,000. These fees are reported in the 2019 financial statements.

The Service Agreement is the agreement between Northampton County and NCGPA that also runs concurrently with the P3 Agreement. This contract establishes the responsibilities of both parties relating to the P3 Project. NCGPA’s responsibilities pertain primarily to facilitating the work relating to the P3 Project. Northampton County’s responsibilities pertain primarily to transferring the bridges to NCGPA and providing funds to the NCGPA to make the payments established under the P3 and the Project Administration Agreements.
Required Supplementary Information
Northampton County Employees’ Retirement System
Schedule of Changes in the County’s Net Pension Liability and Related Ratios

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Pension Liability</td>
<td>$9,774,779</td>
<td>$9,226,084</td>
<td>$9,738,163</td>
<td>$9,891,849</td>
<td>$8,573,509</td>
<td>$8,816,158</td>
</tr>
<tr>
<td>Service cost</td>
<td>$26,253,859</td>
<td>$27,866,239</td>
<td>$28,671,314</td>
<td>$29,716,037</td>
<td>$30,925,286</td>
<td>$32,142,044</td>
</tr>
<tr>
<td>Interest</td>
<td>$4,355,919</td>
<td>$1,397,883</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,451,553</td>
</tr>
<tr>
<td>Changes of Benefit Terms</td>
<td>1,741,228</td>
<td>2,284,952</td>
<td>(1,241,226)</td>
<td>-</td>
<td>-</td>
<td>360,623</td>
</tr>
<tr>
<td>Differences between expected and actual experience</td>
<td>4,355,919</td>
<td>1,397,883</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,451,553</td>
</tr>
<tr>
<td>Benefit payments, including refunds of member contributions</td>
<td>(22,466,982)</td>
<td>(23,953,420)</td>
<td>(24,586,787)</td>
<td>(26,615,665)</td>
<td>(26,997,781)</td>
<td>(27,674,817)</td>
</tr>
<tr>
<td>Net Change in total pension liability</td>
<td>$19,658,803</td>
<td>$16,641,738</td>
<td>$12,581,464</td>
<td>$13,971,093</td>
<td>$14,302,595</td>
<td>$17,095,561</td>
</tr>
<tr>
<td>Total pension liability - beginning</td>
<td>$352,363,814</td>
<td>$372,022,617</td>
<td>$388,664,355</td>
<td>$401,245,819</td>
<td>$415,216,912</td>
<td>$429,519,507</td>
</tr>
<tr>
<td>Total pension liability - ending (a)</td>
<td>$372,022,617</td>
<td>$388,664,355</td>
<td>$401,245,819</td>
<td>$415,216,912</td>
<td>$429,519,507</td>
<td>$446,615,068</td>
</tr>
<tr>
<td>Plan fiduciary net position</td>
<td>$11,818,479</td>
<td>$10,728,773</td>
<td>$10,552,461</td>
<td>$10,379,814</td>
<td>$9,720,489</td>
<td>$10,784,343</td>
</tr>
<tr>
<td>Contributions - employer</td>
<td>$5,496,537</td>
<td>$5,154,034</td>
<td>$5,512,253</td>
<td>$5,570,233</td>
<td>$5,650,061</td>
<td>$5,694,534</td>
</tr>
<tr>
<td>Net investment income</td>
<td>$20,806,812</td>
<td>(59,736)</td>
<td>$26,641,956</td>
<td>$58,758,387</td>
<td>(20,209,077)</td>
<td>78,205,089</td>
</tr>
<tr>
<td>Benefit payments, including refunds of member contributions</td>
<td>(22,466,982)</td>
<td>(23,953,420)</td>
<td>(24,586,787)</td>
<td>(26,615,665)</td>
<td>(26,997,781)</td>
<td>(27,674,817)</td>
</tr>
<tr>
<td>Administrative expense</td>
<td>(44,054)</td>
<td>(46,234)</td>
<td>(43,100)</td>
<td>(43,877)</td>
<td>(43,890)</td>
<td>(44,550)</td>
</tr>
<tr>
<td>Net change in plan fiduciary net position</td>
<td>$15,610,792</td>
<td>$18,076,783</td>
<td>$48,048,892</td>
<td>(31,880,198)</td>
<td>67,320,414</td>
<td></td>
</tr>
<tr>
<td>Plan fiduciary net position - beginning</td>
<td>$332,121,517</td>
<td>$347,732,309</td>
<td>$339,555,726</td>
<td>$357,632,509</td>
<td>$405,681,401</td>
<td>$373,801,203</td>
</tr>
<tr>
<td>Plan fiduciary net position - ending (b)</td>
<td>$347,732,309</td>
<td>$339,555,726</td>
<td>$357,632,509</td>
<td>$405,681,401</td>
<td>$373,801,203</td>
<td>$441,121,617</td>
</tr>
<tr>
<td>County’s net pension liability - ending (a) - (b)</td>
<td>$24,290,308</td>
<td>$49,108,629</td>
<td>$43,613,310</td>
<td>$9,535,511</td>
<td>$55,718,304</td>
<td>$5,493,451</td>
</tr>
<tr>
<td>Plan fiduciary net position as a percentage of the total pension liability</td>
<td>93.47%</td>
<td>87.36%</td>
<td>89.13%</td>
<td>97.70%</td>
<td>87.03%</td>
<td>98.77%</td>
</tr>
<tr>
<td>Covered-employee payroll</td>
<td>$86,640,205</td>
<td>$82,941,510</td>
<td>$86,542,785</td>
<td>$89,156,644</td>
<td>$91,133,665</td>
<td>$93,313,004</td>
</tr>
<tr>
<td>County’s net pension liability as a percentage of covered-employee payroll</td>
<td>28.04%</td>
<td>59.21%</td>
<td>50.40%</td>
<td>10.70%</td>
<td>61.14%</td>
<td>5.90%</td>
</tr>
</tbody>
</table>

GASB No. 67, "Financial Reporting for Pension Plans - an amendment to GASB Statement No. 25", was adopted in 2014. Therefore, only 6 years of data is available.
### Northampton County Employees' Retirement System

#### Schedule of County Contributions

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarially determined contributions</td>
<td>$11,818,479</td>
<td>$10,728,281</td>
<td>$10,552,461</td>
<td>$10,379,814</td>
<td>$9,720,489</td>
<td>$10,784,343</td>
</tr>
<tr>
<td>Contributions in relation to the actuarially determined contributions</td>
<td>($11,818,479)</td>
<td>($10,728,773)</td>
<td>($10,552,461)</td>
<td>($10,379,814)</td>
<td>($9,720,489)</td>
<td>($10,784,343)</td>
</tr>
<tr>
<td>Contributions deficiency (excess)</td>
<td>$ -</td>
<td>$(492)</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Covered-employee payroll</td>
<td>$86,640,205</td>
<td>$82,941,510</td>
<td>$86,542,785</td>
<td>$89,156,644</td>
<td>$91,133,665</td>
<td>$93,313,004</td>
</tr>
<tr>
<td>Contributions as a percentage of covered-employee payroll</td>
<td>13.64%</td>
<td>12.94%</td>
<td>12.19%</td>
<td>11.64%</td>
<td>10.67%</td>
<td>11.56%</td>
</tr>
</tbody>
</table>

#### Notes to Schedule

Valuation date: January 1, 2014, January 1, 2015, January 1, 2016, January 1, 2017, January 1, 2018, January 1, 2019

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**: 21 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 6 years of data is available.
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual money-weighted rate of return, net of investment expense</td>
<td>6.73%</td>
<td>0.50%</td>
<td>8.20%</td>
<td>17.1%*</td>
<td>-4.97%</td>
<td>21.25%</td>
</tr>
</tbody>
</table>

GASB No. 67, "Financial Reporting for Pension Plans - an amendment to GASB Statement No. 25", was adopted in 2014. Therefore, only 6 years of data is available.

* Due to a change in investment managers, the money-weighted rate of return was not available for 2017. Time-weighted rate of return is reported instead.
Northampton County Postemployment Healthcare Plan
Schedule of Changes in the County's Net
OPEB Liability and Related Ratios

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total OPEB Liability</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service cost</td>
<td>$562,013</td>
<td>$584,139</td>
<td>$506,110</td>
</tr>
<tr>
<td>Interest</td>
<td>6,556,994</td>
<td>6,829,512</td>
<td>6,498,011</td>
</tr>
<tr>
<td>Changes of Benefit Terms</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Differences between expected and actual experience</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes of assumptions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefit payments</td>
<td>(4,069,258)</td>
<td>(4,144,841)</td>
<td>(3,800,169)</td>
</tr>
<tr>
<td>Net Change in total OPEB liability</td>
<td>3,049,749</td>
<td>(4,511,205)</td>
<td>(5,929,529)</td>
</tr>
<tr>
<td>Total OPEB liability - beginning</td>
<td>89,461,221</td>
<td>92,510,970</td>
<td>87,999,765</td>
</tr>
<tr>
<td>Total OPEB liability - ending (a)</td>
<td>$92,510,970</td>
<td>$87,999,765</td>
<td>$82,070,236</td>
</tr>
<tr>
<td>Plan fiduciary net position</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions - employer</td>
<td>4,893,762</td>
<td>3,746,488</td>
<td>4,920,146</td>
</tr>
<tr>
<td>Contributions - member</td>
<td>347,868</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net investment income</td>
<td>6,158,801</td>
<td>(2,298,912)</td>
<td>7,865,788</td>
</tr>
<tr>
<td>Benefit payments</td>
<td>(4,069,258)</td>
<td>(4,144,841)</td>
<td>(3,800,169)</td>
</tr>
<tr>
<td>Administrative expense</td>
<td>(339,867)</td>
<td>(4,715)</td>
<td>(6,349)</td>
</tr>
<tr>
<td>Charges for services</td>
<td>1,217</td>
<td>12,298</td>
<td>19,837</td>
</tr>
<tr>
<td>Net change in plan fiduciary net position</td>
<td>6,992,523</td>
<td>(2,689,682)</td>
<td>8,999,253</td>
</tr>
<tr>
<td>Plan fiduciary net position - beginning</td>
<td>32,513,588</td>
<td>39,506,111</td>
<td>36,816,429</td>
</tr>
<tr>
<td>Plan fiduciary net position - ending (b)</td>
<td>$39,506,111</td>
<td>$36,816,429</td>
<td>$45,815,682</td>
</tr>
<tr>
<td>County's net OPEB liability - ending (a) - (b)</td>
<td>$53,004,859</td>
<td>$51,183,336</td>
<td>$36,254,554</td>
</tr>
<tr>
<td>Plan fiduciary net position as a percentage of the total OPEB liability</td>
<td>42.70%</td>
<td>41.80%</td>
<td>55.80%</td>
</tr>
<tr>
<td>Covered-employee payroll</td>
<td>$52,788,972</td>
<td>$49,960,719</td>
<td>N/A</td>
</tr>
<tr>
<td>County's net OPEB liability as a percentage of covered-employee payroll</td>
<td>100.41%</td>
<td>102.45%</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Notes to Schedule:
Changes of assumptions: The initial trend rate used to project per capita claims costs from 2018 to 2019 has been updated to take into account the premium equivalent changes from 2018 to 2019. The initial trend adjustment is 1.27% for members with an age below 65 and (3.58)% for members 65 and above. This change caused a decrease in the County's liability.

GASB No. 74, "Financial Reporting for Postemployment Benefit Plans Other than Pension Plans", was adopted in 2017. Therefore, only 3 years of data is available.
## Northampton County Postemployment Healthcare Plan
### Schedule of County Contributions

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarially determined contributions</td>
<td>$5,809,254</td>
<td>$5,809,254</td>
<td>$5,600,530</td>
<td>$5,606,797</td>
<td>$5,664,770</td>
</tr>
<tr>
<td>Contributions in relation to the actuarially determined contributions</td>
<td>(5,809,254)</td>
<td>(5,809,254)</td>
<td>(5,600,530)</td>
<td>(5,606,797)</td>
<td>(5,664,770)</td>
</tr>
<tr>
<td>Contributions deficiency (excess)</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarially determined contributions</td>
<td>$5,655,046</td>
<td>$4,848,135</td>
<td>$4,893,762</td>
<td>$3,746,488</td>
<td>$4,920,146</td>
</tr>
<tr>
<td>Contributions in relation to the actuarially determined contributions</td>
<td>(5,655,046)</td>
<td>(4,848,135)</td>
<td>(4,893,762)</td>
<td>(3,746,488)</td>
<td>(4,920,146)</td>
</tr>
<tr>
<td>Contributions deficiency (excess)</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
</tr>
</tbody>
</table>

Actuarially determined contribution rates are calculated biannually as of January 1, with the most recent valuation completed as of January 1, 2018.

Methods and assumptions used to determine contribution rates:
- Actuarial cost method: Entry Age Normal Level % of Salary
- Amortization method: Level dollar
- Remaining amortization period: 29 years
- Asset valuation method: N/A
- Inflation: 3%
- Salary increases: 4.5%
- Investment rate of return: 7.5%
- Healthcare cost trend rates: 5.4% initial decreasing to an ultimate rate of 3.84%
- Retirement age: Age 60 with 25 years or age 55 with 20 years
- Mortality: RP-2000 Mortality Table with projected improvement through 2020 for retirees and through 2028 for active participants with no future project improvements
Northampton County Postemployment Healthcare Plan  
Schedule of Investment Returns

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual money-weighted rate of return, net of investment expense</td>
<td>19.14%*</td>
<td>-5.67%</td>
<td>21.14%</td>
</tr>
</tbody>
</table>

GASB No. 74, "Financial Reporting for Postemployment Benefit Plans Other than Pension Plans", was adopted in 2017. Therefore, only 3 years of data is available.

* Due to a change in investment managers, the money-weighted rate of return was not available for 2017. Time-weighted rate of return is reported instead.
### 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, 2019**

#### Variance with Final Budget -

<table>
<thead>
<tr>
<th></th>
<th>Original</th>
<th>Final</th>
<th>Actual</th>
<th>Positive (Negative)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate taxes</td>
<td>$99,150,000</td>
<td>$99,505,200</td>
<td>$100,113,438</td>
<td>$608,238</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>3,890,538</td>
<td>5,218,438</td>
<td>4,137,487</td>
<td>(1,080,951)</td>
</tr>
<tr>
<td>Fees, fines, charges and miscellaneous</td>
<td>13,084,200</td>
<td>13,271,500</td>
<td>13,231,679</td>
<td>(39,821)</td>
</tr>
<tr>
<td>Investment income</td>
<td>1,113,272</td>
<td>1,075,672</td>
<td>2,053,062</td>
<td>977,390</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>117,238,010</td>
<td>119,070,810</td>
<td>119,535,666</td>
<td>464,856</td>
</tr>
</tbody>
</table>

#### EXPENDITURES

**General government:**

<table>
<thead>
<tr>
<th>Item</th>
<th>Budgeted Amounts</th>
<th>Actual Amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Council</td>
<td>685,400</td>
<td>667,263</td>
</tr>
<tr>
<td>Executive</td>
<td>188,800</td>
<td>205,935</td>
</tr>
<tr>
<td>Controller</td>
<td>730,400</td>
<td>779,762</td>
</tr>
<tr>
<td>Solicitor</td>
<td>575,700</td>
<td>587,900</td>
</tr>
<tr>
<td>Community &amp; economic development</td>
<td>564,700</td>
<td>1,559,349</td>
</tr>
<tr>
<td>Human resources</td>
<td>1,580,100</td>
<td>1,630,735</td>
</tr>
<tr>
<td>Administration</td>
<td>6,201,725</td>
<td>6,728,497</td>
</tr>
<tr>
<td>Fiscal affairs</td>
<td>6,883,548</td>
<td>7,025,865</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>17,410,373</td>
<td>19,185,306</td>
</tr>
</tbody>
</table>

**Court system and corrections:**

<table>
<thead>
<tr>
<th>Item</th>
<th>Budgeted Amounts</th>
<th>Actual Amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>District attorney</td>
<td>4,888,400</td>
<td>5,054,831</td>
</tr>
<tr>
<td>Sheriff</td>
<td>6,557,900</td>
<td>6,712,436</td>
</tr>
<tr>
<td>Coroner</td>
<td>1,454,900</td>
<td>1,456,568</td>
</tr>
<tr>
<td>Public defender</td>
<td>1,701,500</td>
<td>1,774,873</td>
</tr>
<tr>
<td>Court services</td>
<td>3,071,300</td>
<td>3,263,392</td>
</tr>
<tr>
<td>Court administration</td>
<td>16,342,935</td>
<td>16,983,324</td>
</tr>
<tr>
<td>Corrections</td>
<td>28,989,300</td>
<td>29,608,432</td>
</tr>
<tr>
<td>Fiscal affairs</td>
<td>550,000</td>
<td>580,000</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>63,556,235</td>
<td>65,433,856</td>
</tr>
</tbody>
</table>

**Public works**

<table>
<thead>
<tr>
<th>Item</th>
<th>Budgeted Amounts</th>
<th>Actual Amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>10,503,438</td>
<td>10,862,071</td>
<td>5,440,198</td>
</tr>
</tbody>
</table>

**Human services**

<table>
<thead>
<tr>
<th>Item</th>
<th>Budgeted Amounts</th>
<th>Actual Amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,453,900</td>
<td>2,670,035</td>
<td>2,078,339</td>
</tr>
</tbody>
</table>

**Debt service:**

<table>
<thead>
<tr>
<th>Item</th>
<th>Budgeted Amounts</th>
<th>Actual Amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal</td>
<td>6,035,500</td>
<td>6,035,500</td>
</tr>
<tr>
<td>Interest</td>
<td>4,003,000</td>
<td>4,003,000</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>102,962,446</td>
<td>108,189,768</td>
</tr>
</tbody>
</table>

**Excess of revenues over expenditures**

<table>
<thead>
<tr>
<th>Item</th>
<th>Budgeted Amounts</th>
<th>Actual Amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>14,275,564</td>
<td>10,881,042</td>
<td>21,730,271</td>
</tr>
</tbody>
</table>

### OTHER FINANCING SOURCES (USES)

<table>
<thead>
<tr>
<th>Item</th>
<th>Budgeted Amounts</th>
<th>Actual Amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfers in</td>
<td>5,438,300</td>
<td>5,435,300</td>
</tr>
<tr>
<td>Transfers out</td>
<td>(19,713,864)</td>
<td>(21,547,942)</td>
</tr>
<tr>
<td><strong>Total other financing sources (uses)</strong></td>
<td>(14,275,564)</td>
<td>(16,112,642)</td>
</tr>
<tr>
<td>Net change in fund balances</td>
<td>-</td>
<td>(18,422,419)</td>
</tr>
<tr>
<td><strong>Fund balances -- January 1</strong></td>
<td>-</td>
<td>(2,309,777)</td>
</tr>
<tr>
<td>Fund balances -- December 31</td>
<td>$ -</td>
<td>$ 46,452,028</td>
</tr>
</tbody>
</table>

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
Children, Youth and Families Special Revenue Fund
For the Year Ended December 31, 2019

### REVENUES

<table>
<thead>
<tr>
<th></th>
<th>Budgeted Amounts</th>
<th>Actual Amounts</th>
<th>Variance with Final Budget - Positive</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original</td>
<td>Final</td>
<td>Amounts</td>
</tr>
<tr>
<td>Intergovernmental:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Act 148</td>
<td>$18,340,200</td>
<td>$18,736,100</td>
<td>$18,780,471</td>
</tr>
<tr>
<td>Title XX</td>
<td>270,600</td>
<td>270,700</td>
<td>270,641</td>
</tr>
<tr>
<td>TANF</td>
<td>893,600</td>
<td>955,000</td>
<td>918,400</td>
</tr>
<tr>
<td>Title IV-E</td>
<td>4,299,600</td>
<td>5,223,400</td>
<td>5,604,459</td>
</tr>
<tr>
<td>Title IV-B</td>
<td>107,600</td>
<td>107,600</td>
<td>107,512</td>
</tr>
<tr>
<td>Federal and state - other</td>
<td>2,404,500</td>
<td>2,696,800</td>
<td>2,693,363</td>
</tr>
<tr>
<td></td>
<td>26,316,100</td>
<td>27,989,600</td>
<td>28,374,846</td>
</tr>
<tr>
<td>Fees, fines, charges and miscellaneous</td>
<td>2,092,400</td>
<td>3,156,200</td>
<td>3,326,206</td>
</tr>
<tr>
<td>Total revenues</td>
<td>28,408,500</td>
<td>31,145,800</td>
<td>31,701,052</td>
</tr>
</tbody>
</table>

### EXPENDITURES

<table>
<thead>
<tr>
<th></th>
<th>Budgeted Amounts</th>
<th>Actual Amounts</th>
<th>Variance with Final Budget - Positive</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original</td>
<td>Final</td>
<td>Amounts</td>
</tr>
<tr>
<td>Court system and corrections:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjudicated juvenile care</td>
<td>1,050,000</td>
<td>1,724,600</td>
<td>1,712,522</td>
</tr>
<tr>
<td>Juvenile detention home</td>
<td>6,542,500</td>
<td>7,017,500</td>
<td>6,966,166</td>
</tr>
<tr>
<td></td>
<td>7,592,500</td>
<td>8,742,100</td>
<td>8,678,688</td>
</tr>
<tr>
<td>Human services:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and wages</td>
<td>6,480,600</td>
<td>6,228,554</td>
<td>6,213,941</td>
</tr>
<tr>
<td>Employees' benefits</td>
<td>2,941,000</td>
<td>2,861,945</td>
<td>2,849,037</td>
</tr>
<tr>
<td>Capital outlay</td>
<td>33,800</td>
<td>196,144</td>
<td>194,737</td>
</tr>
<tr>
<td>Other operating</td>
<td>17,035,400</td>
<td>18,588,957</td>
<td>18,442,511</td>
</tr>
<tr>
<td>Information and referral emergency services</td>
<td>198,000</td>
<td>186,400</td>
<td>146,894</td>
</tr>
<tr>
<td>Planning and community development</td>
<td>260,100</td>
<td>274,200</td>
<td>274,003</td>
</tr>
<tr>
<td>Central service costs</td>
<td>589,700</td>
<td>607,600</td>
<td>607,600</td>
</tr>
<tr>
<td></td>
<td>27,538,600</td>
<td>28,943,800</td>
<td>28,728,723</td>
</tr>
<tr>
<td>Debt service:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal</td>
<td>1,047,200</td>
<td>1,047,200</td>
<td>869,853</td>
</tr>
<tr>
<td>Interest</td>
<td>134,600</td>
<td>134,600</td>
<td>81,288</td>
</tr>
<tr>
<td>Total expenditures</td>
<td>36,312,900</td>
<td>38,867,700</td>
<td>38,358,552</td>
</tr>
<tr>
<td>Excess (deficiency) of revenues over (under) expenditures</td>
<td>(7,904,400)</td>
<td>(7,721,900)</td>
<td>(6,657,500)</td>
</tr>
</tbody>
</table>

### OTHER FINANCING SOURCES

<table>
<thead>
<tr>
<th></th>
<th>Budgeted Amounts</th>
<th>Actual Amounts</th>
<th>Variance with Final Budget - Positive</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original</td>
<td>Final</td>
<td>Amounts</td>
</tr>
<tr>
<td>Transfers in</td>
<td>7,904,400</td>
<td>7,721,900</td>
<td>6,657,500</td>
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<tr>
<td>Total other financing sources</td>
<td>7,904,400</td>
<td>7,721,900</td>
<td>6,657,500</td>
</tr>
<tr>
<td>Net change in fund balances</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fund balances -- January 1</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fund balances -- December 31</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
</tbody>
</table>

The notes to the financial statements are an integral part of this statement.
## Required Supplementary Information

**COUNTY OF NORTHAMPTON, PENNSYLVANIA**

**Gracedale Nursing Home Special Revenue Fund**

*For the Year Ended December 31, 2019*

### Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

#### Variance with Final Budget -

<table>
<thead>
<tr>
<th>Budgeted Amounts</th>
<th>Actual</th>
<th>Variance with Final Budget -</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original</td>
<td>Final</td>
</tr>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intergovernmental:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical assistance</td>
<td>$55,328,800</td>
<td>$55,328,800</td>
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<tr>
<td>Medicare</td>
<td>10,352,000</td>
<td>10,372,000</td>
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<tr>
<td></td>
<td>65,680,800</td>
<td>65,700,800</td>
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<tr>
<td>Fees, fines, charges and miscellaneous</td>
<td>12,671,400</td>
<td>12,671,400</td>
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<tr>
<td>Total revenues</td>
<td>78,352,200</td>
<td>78,372,200</td>
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<tr>
<td><strong>EXPENDITURES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human services:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and wages</td>
<td>29,731,000</td>
<td>29,824,230</td>
</tr>
<tr>
<td>Employees’ benefits</td>
<td>14,363,100</td>
<td>14,863,649</td>
</tr>
<tr>
<td>Capital outlay</td>
<td>1,056,400</td>
<td>1,056,400</td>
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<tr>
<td>Other operating</td>
<td>33,849,137</td>
<td>33,216,658</td>
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<tr>
<td>Central service costs</td>
<td>2,850,200</td>
<td>2,908,900</td>
</tr>
<tr>
<td></td>
<td>81,849,837</td>
<td>81,869,837</td>
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<tr>
<td>Debt service:</td>
<td></td>
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<td>Principal</td>
<td>1,476,200</td>
<td>1,476,200</td>
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<tr>
<td>Interest</td>
<td>436,800</td>
<td>436,800</td>
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<tr>
<td>Total expenditures</td>
<td>83,762,837</td>
<td>83,762,837</td>
</tr>
<tr>
<td>Excess (deficiency) of revenues over (under) expenditures</td>
<td>(5,410,637)</td>
<td>(5,410,637)</td>
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<tr>
<td>Net change in fund balances</td>
<td>(5,410,637)</td>
<td>(5,410,637)</td>
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<tr>
<td>Fund balances -- January 1</td>
<td>5,410,637</td>
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<tr>
<td>Fund balances -- December 31</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

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, 2019

<table>
<thead>
<tr>
<th>Variance with Final Budget - (Negative)</th>
<th>Budgeted Amounts</th>
<th>Actual Amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original</td>
<td>Final</td>
</tr>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intergovernmental:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HC Expansion - Newly Eligible</td>
<td>$18,855,900</td>
<td>$17,966,600</td>
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<tr>
<td>SSI with medicare</td>
<td>6,929,600</td>
<td>7,033,300</td>
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<tr>
<td>SSI without medicare</td>
<td>22,823,900</td>
<td>23,709,700</td>
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<tr>
<td>Temp assistance needy families</td>
<td>22,452,100</td>
<td>22,203,400</td>
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<tr>
<td></td>
<td>71,061,500</td>
<td>70,913,000</td>
</tr>
<tr>
<td>Investment income</td>
<td>250,000</td>
<td>424,100</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>$71,311,500</td>
<td>$71,337,100</td>
</tr>
<tr>
<td><strong>EXPENDITURES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human services:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and wages</td>
<td>386,700</td>
<td>386,700</td>
</tr>
<tr>
<td>Employees' benefits</td>
<td>139,500</td>
<td>153,300</td>
</tr>
<tr>
<td>Other operating</td>
<td>88,640,101</td>
<td>88,664,301</td>
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<tr>
<td>Central service costs</td>
<td>42,600</td>
<td>30,200</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>$89,208,901</td>
<td>$89,234,501</td>
</tr>
<tr>
<td>Excess (deficiency) of revenues over (under) expenditures</td>
<td>(17,897,401)</td>
<td>(17,897,401)</td>
</tr>
<tr>
<td>Net change in fund balances</td>
<td>(17,897,401)</td>
<td>(17,897,401)</td>
</tr>
<tr>
<td>Fund balance -- January 1</td>
<td>17,897,401</td>
<td>17,897,401</td>
</tr>
<tr>
<td>Fund balance -- December 31</td>
<td>$ -</td>
<td>$ -</td>
</tr>
</tbody>
</table>

The notes to the financial statements are an integral part of this statement.
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 Government Center 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 $7.8 million in 2019. Appropriations of budgeted beginning fund balances in excess of amounts estimated in the budget were not required in 2019.

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.

The NCGPA Fund did not adopt a budget for 2019. The PA Municipal Authorities Act does not require that a budget be adopted. Accordingly, the NCGPA is not required to present budgetary comparison information.
Other Supplementary Information
<table>
<thead>
<tr>
<th></th>
<th>Special Revenue Funds</th>
<th>Hugh Moore Trust Permanent Fund</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$16,288,714</td>
<td>$64,949</td>
<td>$16,353,663</td>
</tr>
<tr>
<td>Investments</td>
<td>-</td>
<td>1,545,293</td>
<td>1,545,293</td>
</tr>
<tr>
<td>Receivables:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>188,691</td>
<td>-</td>
<td>188,691</td>
</tr>
<tr>
<td>Interest and dividends</td>
<td>-</td>
<td>1,051</td>
<td>1,051</td>
</tr>
<tr>
<td>Other</td>
<td>2,993,523</td>
<td>-</td>
<td>2,993,523</td>
</tr>
<tr>
<td>Due from other funds</td>
<td>9,830,411</td>
<td>-</td>
<td>9,830,411</td>
</tr>
<tr>
<td>Due from other governments</td>
<td>2,270,026</td>
<td>-</td>
<td>2,270,026</td>
</tr>
<tr>
<td>Total assets</td>
<td>$31,571,365</td>
<td>$1,611,293</td>
<td>$33,182,658</td>
</tr>
<tr>
<td><strong>LIABILITIES AND FUND BALANCES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liabilities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>$7,750,796</td>
<td>$ -</td>
<td>$7,750,796</td>
</tr>
<tr>
<td>Due to other funds</td>
<td>2,893,217</td>
<td>85,485</td>
<td>2,978,702</td>
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<tr>
<td>Due to other governments</td>
<td>431,331</td>
<td>-</td>
<td>431,331</td>
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<tr>
<td>Unearned revenue</td>
<td>2,942,076</td>
<td>-</td>
<td>2,942,076</td>
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<tr>
<td>Total liabilities</td>
<td>14,017,420</td>
<td>85,485</td>
<td>14,102,905</td>
</tr>
<tr>
<td>Fund balances:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Spendable:</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Permanent fund principal</td>
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<td>1,000,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Restricted for:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community and economic development</td>
<td>1,856,575</td>
<td>-</td>
<td>1,856,575</td>
</tr>
<tr>
<td>County wide surveys and studies</td>
<td>85,386</td>
<td>-</td>
<td>85,386</td>
</tr>
<tr>
<td>Drug and alcohol programs</td>
<td>426,040</td>
<td>-</td>
<td>426,040</td>
</tr>
<tr>
<td>Emergency services</td>
<td>363,214</td>
<td>-</td>
<td>363,214</td>
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<tr>
<td>Environmental projects</td>
<td>1,892,351</td>
<td>-</td>
<td>1,892,351</td>
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<tr>
<td>Future gaming grants</td>
<td>3,324,398</td>
<td>-</td>
<td>3,324,398</td>
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<tr>
<td>Future tourism grants</td>
<td>739,025</td>
<td>-</td>
<td>739,025</td>
</tr>
<tr>
<td>Bridge repairs and replacement</td>
<td>3,523,923</td>
<td>-</td>
<td>3,523,923</td>
</tr>
<tr>
<td>Louise Moore Park projects</td>
<td>80,696</td>
<td>525,808</td>
<td>606,504</td>
</tr>
<tr>
<td>Open space projects</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Records improvements</td>
<td>847,043</td>
<td>-</td>
<td>847,043</td>
</tr>
<tr>
<td>Committed for:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Open space projects</td>
<td>4,415,294</td>
<td>-</td>
<td>4,415,294</td>
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<tr>
<td>Total fund balances</td>
<td>17,553,945</td>
<td>1,525,808</td>
<td>19,079,753</td>
</tr>
<tr>
<td>Total liabilities and fund balances</td>
<td>$31,571,365</td>
<td>$1,611,293</td>
<td>$33,182,658</td>
</tr>
</tbody>
</table>
COUNTY OF NORTHAMPTON, PENNSYLVANIA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2019

<table>
<thead>
<tr>
<th>Fund</th>
<th>Hugh Moore_trust Permanent Fund</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Special Revenue Funds</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>$2,611,023</td>
<td>$-</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>35,321,066</td>
<td>-</td>
</tr>
<tr>
<td>Fees, fines, charges and miscellaneous</td>
<td>12,034,249</td>
<td>-</td>
</tr>
<tr>
<td>Investment income</td>
<td>228,667</td>
<td>280,100</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>50,195,005</td>
<td>280,100</td>
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<tr>
<td><strong>EXPENDITURES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>20,962,331</td>
<td>-</td>
</tr>
<tr>
<td>Court system and corrections</td>
<td>4,880,904</td>
<td>-</td>
</tr>
<tr>
<td>Public works</td>
<td>1,496,717</td>
<td>96,874</td>
</tr>
<tr>
<td>Human services</td>
<td>29,127,864</td>
<td>-</td>
</tr>
<tr>
<td>Debt Service:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal</td>
<td>398,757</td>
<td>-</td>
</tr>
<tr>
<td>Interest</td>
<td>124,525</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>56,991,098</td>
<td>96,874</td>
</tr>
<tr>
<td><strong>Excess (deficiency) of revenues over (under) expenditures</strong></td>
<td>(6,796,093)</td>
<td>183,226</td>
</tr>
<tr>
<td><strong>OTHER FINANCING SOURCES (USES)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers in</td>
<td>10,051,030</td>
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<td>Transfers out</td>
<td>(1,256,810)</td>
<td>-</td>
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<tr>
<td><strong>Total other financing sources (uses)</strong></td>
<td>8,794,220</td>
<td>-</td>
</tr>
<tr>
<td>Net change in fund balances</td>
<td>1,998,127</td>
<td>183,226</td>
</tr>
<tr>
<td>Fund balances -- January 1</td>
<td>15,555,818</td>
<td>1,342,582</td>
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<tr>
<td>Fund balances -- December 31</td>
<td>$17,553,945</td>
<td>$1,525,808</td>
</tr>
</tbody>
</table>
### ASSETS

<table>
<thead>
<tr>
<th>Area</th>
<th>Agency on Aging</th>
<th>Community Development Bridges</th>
<th>Conduit Programs</th>
<th>Domestic Relations</th>
<th>Drug Services</th>
<th>Emergency Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash</td>
<td>$30,170</td>
<td>$3,677,337</td>
<td>$1,106</td>
<td>$648,839</td>
<td>$200</td>
<td>$200</td>
</tr>
</tbody>
</table>

**Receivables:**
- Hotel room rental taxes: $-
- Other: $111,924
- Due from other funds: $837,311
- Due from other governments: $-

**Total assets:**
- $973,305
- $3,619,161
- $1,870,575
- $1,612,034
- $895,236
- $897,908
- $1,140,419
- $2,307,441

### LIABILITIES AND FUND BALANCES

**Liabilities:**
- Accounts payable and accrued liabilities: $552,218
- Due to other funds: $62,747
- Due to other governments: $38,508
- Unearned revenue: $417,087

**Total liabilities:**
- $973,305
- $95,238
- $14,000
- $1,526,648
- $895,236
- $897,908
- $714,379
- $1,944,227

**Fund balances:**

**Restricted for:**
- Community and Economic development: $1,856,575
- County wide surveys and studies: $85,386
- Drug and alcohol programs: $426,040
- Emergency services: $363,214
- Environmental protection: $-
- Future gaming grants: $-
- Future hotel tax grants: $-
- Bridge repairs and replacement: $3,523,923
- Louise Moore Park projects: $-
- Records improvements: $-

**Committed for:**
- Open space projects: $3,523,923

**Total fund balances:**
- $973,305
- $3,619,161
- $1,870,575
- $1,612,034
- $895,236
- $897,908
- $1,140,419
- $2,307,441
<table>
<thead>
<tr>
<th>Environmental Protection</th>
<th>Hotel Room Rental</th>
<th>Louise Moore Pine Room</th>
<th>Mental Health</th>
<th>Open Space Bequest</th>
<th>Improvement and Tax</th>
<th>Bequest</th>
<th>Health Initiative</th>
<th>Automation</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,869,954</td>
<td>$3,345,314</td>
<td>$82,396</td>
<td>$1,200</td>
<td>$6,440,345</td>
<td>$</td>
<td>$1,200</td>
<td>$6,440,345</td>
<td>$</td>
<td>$16,288,714</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>188,691</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>188,691</td>
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<td>-</td>
<td>-</td>
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<td>4,415,294</td>
<td>4,415,294</td>
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<tr>
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<td>80,696</td>
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<td>4,415,294</td>
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<td>$3,212,190</td>
<td>$6,440,345</td>
<td>$847,043</td>
<td>$31,571,365</td>
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</tbody>
</table>
## COUNTY OF NORTHAMPTON, PENNSYLVANIA
### Combining Statement of Revenues, Expenditures and Changes in Fund Balances
#### Nonmajor Special Revenue Funds
##### For the Year Ended December 31, 2019

<table>
<thead>
<tr>
<th>Area Agency on</th>
<th>Community and Economic</th>
<th>Development and Economic</th>
<th>Drug and Alcohol</th>
<th>Emergency Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aging</td>
<td>Bridges</td>
<td>Conduit</td>
<td>Conduit</td>
<td>Conduit</td>
</tr>
<tr>
<td>REVENUES</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Intergovernment</td>
<td>5,366,335</td>
<td>1,527,748</td>
<td>46,028</td>
<td>3,348,595</td>
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<tr>
<td>Fees, fines, charges and miscellaneous</td>
<td>143,901</td>
<td>44,244</td>
<td>360,051</td>
<td>59,481</td>
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<tr>
<td>Investment income</td>
<td>16,812</td>
<td>32,828</td>
<td>12,676</td>
<td>540</td>
</tr>
<tr>
<td>Total revenues</td>
<td>5,527,048</td>
<td>1,604,820</td>
<td>418,755</td>
<td>3,414,616</td>
</tr>
</tbody>
</table>

| EXPENDITURES |                        |                          |                  |                   |
| Current:     |                        |                          |                  |                   |
| General government | -                    | -                        | 397,034          | 2,273,083         | -                 | -                 | -              | 8,732,054 |
| Court system and corrections | -          | -                        | -                | -                 | 4,847,810         | -                 | -              |
| Public works | -                     | 1,308,137                | -                | -                 | -                 | -                 | -              |
| Human services | 6,285,974          | -                        | -                | 1,134,719         | 5,375,334         | -                 | 4,266,483     |
| Debt service: |                        |                          |                  |                   |
| Principal | -                     | -                        | -                | -                 | -                 | -                 | -              | 398,757 |
| Interest | -                     | -                        | -                | -                 | 108,678           | -                 | 15,847         |
| Total expenditures | 6,285,974       | 1,308,137                | 397,034          | 3,407,802         | 5,375,334         | 4,956,488         | 4,266,483     | 9,146,658 |

| Excess (deficiency) of revenues over (under) expenditures | (758,926) | 296,683 | 21,721 | 6,814 | (701,942) | (1,535,896) | (520,085) | (267,485) |

| OTHER FINANCING SOURCES (USES) |                        |                          |                  |                   |
| Transfers in | 758,926 | 86 | - | 35,417 | 701,942 | 1,535,896 | 94,406 | 505,356 |
| Transfers out | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | 758,926 | 86 | - | 35,417 | 701,942 | 1,535,896 | 94,406 | 505,356 |
| Net change in fund balances | - | 296,769 | 21,721 | 42,231 | - | - | (425,679) | 237,871 |

<p>| Fund Balances: |                        |                          |                  |                   |
| January 1 | - | 3,227,154 | 1,834,854 | 43,155 | - | - | 851,719 | 125,343 |
| December 31 | $ - | $ 3,523,923 | $ 1,856,575 | $ 85,386 | $ - | $ - | $ 426,040 | $ 363,214 |</p>
<table>
<thead>
<tr>
<th>Environmental Protection</th>
<th>Gaming</th>
<th>Tax</th>
<th>Louise Moore Room Rental</th>
<th>Pine Mental Space</th>
<th>Bequest</th>
<th>Mental Health</th>
<th>Open Space Initiative</th>
<th>Improvement and Automation</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ -</td>
<td>$ -</td>
<td>$ 2,611,023</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 2,611,023</td>
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<td>11,673,586</td>
<td>-</td>
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<tr>
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<td>-</td>
<td>1,967</td>
<td>79,162</td>
<td>9,758</td>
<td>7,493</td>
<td>228,667</td>
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<tr>
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<td>1,967</td>
<td>11,774,065</td>
<td>9,758</td>
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<td>1,244,447</td>
<td>2,206,549</td>
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<td>2,998,427</td>
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<tr>
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<td>22,123</td>
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<td>308,235</td>
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<td>404,474</td>
<td>(20,156)</td>
<td>(291,289)</td>
<td>(2,454,004)</td>
<td>(2,408,107)</td>
<td>(6,796,093)</td>
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<td>-</td>
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<td>3,162,967</td>
<td>2,564,745</td>
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<td>140,000</td>
<td>(1,256,810)</td>
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<td>(110,391)</td>
<td>(606,419)</td>
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<td>-</td>
<td>291,289</td>
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<td>517,451</td>
<td>404,474</td>
<td>(20,156)</td>
<td>-</td>
<td>708,963</td>
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<td>15,555,818</td>
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<td>$ 739,025</td>
<td>$ 80,696</td>
<td>$ -</td>
<td>$ 4,415,294</td>
<td>$ 847,043</td>
<td>$ 17,553,945</td>
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COUNTY OF NORTHAMPTON, PENNSYLVANIA  
Combining Balance Sheet  
Capital Projects Funds  
December 31, 2019

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<thead>
<tr>
<th></th>
<th>Capital Improvement Projects</th>
<th>2013 Bond Issue</th>
<th>2019 Bond Issue</th>
<th>Total Year</th>
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<tbody>
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<td>Accounts receivable</td>
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<tr>
<td>Total assets</td>
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<td>$1,933,853</td>
<td>$11,215,146</td>
<td>$29,349,449</td>
</tr>
</tbody>
</table>

|                  |                           |                 |                 |            |
| LIABILITIES AND FUND BALANCES |                             |                 |                 |            |
| Liabilities:     | $40,934 | $521,896 | $986,931 | $1,549,761 |
| Accounts payable and accrued liabilities | $40,934 | $521,896 | $986,931 | $1,549,761 |
| Total liabilities | $40,934 | $521,896 | $986,931 | $1,549,761 |
| Fund balances:   |                           |                 |                 |            |
| Restricted for:  |                           |                 |                 |            |
| Bond financed improvements | - | 1,411,957 | 10,228,215 | 11,640,172 |
| Committed for:   |                           |                 |                 |            |
| Capital construction | 16,159,516 | -          | -               | 16,159,516 |
| Total fund balances | 16,159,516 | 1,411,957 | 10,228,215 | 27,799,688 |
| Total liabilities and fund balances | $16,200,450 | $1,933,853 | $11,215,146 | $29,349,449 |
### COUNTY OF NORTHAMPTON, PENNSYLVANIA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Capital Projects Funds
For the Year Ended December 31, 2019

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<tr>
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<th>2019</th>
<th>Total</th>
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<td>Bond Issue</td>
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<tr>
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<td>-</td>
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<td>1,336,581</td>
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<td>Park improvements and expansion</td>
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<td>126,856</td>
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<tr>
<td>Total capital projects</td>
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<td>1,650,901</td>
<td>1,273,586</td>
<td>5,359,465</td>
</tr>
<tr>
<td>Debt service:</td>
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</tr>
<tr>
<td>Interest</td>
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<td>101,679</td>
</tr>
<tr>
<td>Bond issuance costs</td>
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<td>-</td>
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<td>766,928</td>
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<tr>
<td>Total expenditures</td>
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<td>1,650,901</td>
<td>2,293,297</td>
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<tr>
<td>Deficiency of revenues under expenditures</td>
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<td>2,662,478</td>
</tr>
<tr>
<td>Transfers out</td>
<td>(2,098,906)</td>
<td>-</td>
<td>-</td>
<td>(2,098,906)</td>
</tr>
<tr>
<td>General obligation debt issued</td>
<td>-</td>
<td>-</td>
<td>80,266,269</td>
<td>80,266,269</td>
</tr>
<tr>
<td>Premium on bonds issued</td>
<td>-</td>
<td>-</td>
<td>3,647,906</td>
<td>3,647,906</td>
</tr>
<tr>
<td>Payment to bond escrow agent - Principal</td>
<td>-</td>
<td>-</td>
<td>(65,830,000)</td>
<td>(65,830,000)</td>
</tr>
<tr>
<td>Payment to bond escrow agent - Interest</td>
<td>-</td>
<td>-</td>
<td>(5,668,774)</td>
<td>(5,668,774)</td>
</tr>
<tr>
<td>Total other financing sources (uses)</td>
<td>563,572</td>
<td>-</td>
<td>12,415,401</td>
<td>12,978,973</td>
</tr>
<tr>
<td>Net change in fund balances</td>
<td>(1,537,402)</td>
<td>(1,647,006)</td>
<td>10,228,215</td>
<td>7,043,807</td>
</tr>
<tr>
<td>Fund balances -- January 1</td>
<td>17,696,918</td>
<td>3,058,963</td>
<td>-</td>
<td>20,755,881</td>
</tr>
<tr>
<td>Fund balances -- December 31</td>
<td>$16,159,516</td>
<td>$1,411,957</td>
<td>$10,228,215</td>
<td>$27,799,688</td>
</tr>
</tbody>
</table>
Retirement Trust Funds

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Employees' Retirement</th>
<th>Retiree Healthcare</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 3,005,398</td>
<td>$ 678,259</td>
<td>$ 3,683,657</td>
</tr>
<tr>
<td>Receivables:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>230,561</td>
<td>-</td>
<td>230,561</td>
</tr>
<tr>
<td>Total receivables</td>
<td>230,561</td>
<td>-</td>
<td>230,561</td>
</tr>
<tr>
<td>Investments, at fair value:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity mutual funds</td>
<td>315,864,687</td>
<td>31,211,647</td>
<td>347,076,334</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fixed income mutual funds</td>
<td>98,367,558</td>
<td>12,090,619</td>
<td>110,458,177</td>
</tr>
<tr>
<td>Real estate</td>
<td>23,757,975</td>
<td>1,965,024</td>
<td>25,722,999</td>
</tr>
<tr>
<td>Total investments</td>
<td>437,990,220</td>
<td>45,267,290</td>
<td>483,257,510</td>
</tr>
<tr>
<td>Total assets</td>
<td>441,226,179</td>
<td>45,945,549</td>
<td>487,171,728</td>
</tr>
</tbody>
</table>

| LIABILITIES                   |                       |                    |             |
| Payables:                     |                       |                    |             |
| Accounts payable              | -                     | 21,867             | 21,867      |
| Investment management fees payable | 101,760        | -                  | 101,760     |
| Retirement refunds payable    | 2,802                 | -                  | 2,802       |
| Accrued healthcare claims     | -                     | 108,000            | 108,000     |
| Total liabilities             | 104,562               | 129,867            | 234,429     |

| NET POSITION,                 |                       |                    |             |
| Restricted for pensions and   |                       |                    |             |
| Post-employment benefits      | $ 441,121,617         | $ 45,815,682       | $ 486,937,299 |

COUNTY OF NORTHAMPTON, PENNSYLVANIA
Combining Statement of Fiduciary Net Position
Retirement Trust Funds
December 31, 2019
### COUNTY OF NORTHAMPTON, PENNSYLVANIA

**Combining Statement of Changes in Fiduciary Net Position**

**Retirement Trust Funds**

**For the Year Ended December 31, 2019**

<table>
<thead>
<tr>
<th>Retirement Trust Funds</th>
<th>Employees' Retirement</th>
<th>Retiree Healthcare</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ADDITIONS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charges for services</td>
<td>$ -</td>
<td>$ 19,837</td>
<td>$ 19,837</td>
</tr>
<tr>
<td>Plan members</td>
<td>6,039,695</td>
<td>-</td>
<td>6,039,695</td>
</tr>
<tr>
<td>Employer share of military buyback by employees</td>
<td>10,654</td>
<td>-</td>
<td>10,654</td>
</tr>
<tr>
<td>Employer contributions</td>
<td>10,784,343</td>
<td>4,920,146</td>
<td>15,704,489</td>
</tr>
<tr>
<td>Total contributions</td>
<td>16,834,692</td>
<td>4,939,983</td>
<td>21,774,675</td>
</tr>
<tr>
<td>Investment earnings:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and dividend income</td>
<td>9,200,646</td>
<td>948,652</td>
<td>10,149,298</td>
</tr>
<tr>
<td>Net increase in fair value of investments</td>
<td>69,244,306</td>
<td>6,930,072</td>
<td>76,174,378</td>
</tr>
<tr>
<td>Total investment earnings</td>
<td>78,444,952</td>
<td>7,878,724</td>
<td>86,323,676</td>
</tr>
<tr>
<td>Less investment expense</td>
<td>(239,863)</td>
<td>(12,936)</td>
<td>(252,799)</td>
</tr>
<tr>
<td>Net investment earnings</td>
<td>78,205,089</td>
<td>7,865,788</td>
<td>86,070,877</td>
</tr>
<tr>
<td>Total additions</td>
<td>95,039,781</td>
<td>12,805,771</td>
<td>107,845,552</td>
</tr>
<tr>
<td><strong>DEDUCTIONS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retirees' health benefit payments</td>
<td>-</td>
<td>3,800,169</td>
<td>3,800,169</td>
</tr>
<tr>
<td>Benefit payments</td>
<td>26,793,568</td>
<td>-</td>
<td>26,793,568</td>
</tr>
<tr>
<td>Refund of contributions</td>
<td>881,249</td>
<td>-</td>
<td>881,249</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>44,550</td>
<td>6,349</td>
<td>50,899</td>
</tr>
<tr>
<td>Total deductions</td>
<td>27,719,367</td>
<td>3,806,518</td>
<td>31,525,885</td>
</tr>
<tr>
<td>Change in net position</td>
<td>67,320,414</td>
<td>8,999,253</td>
<td>76,319,667</td>
</tr>
<tr>
<td>Net position - January 1</td>
<td>373,801,203</td>
<td>36,816,429</td>
<td>410,617,632</td>
</tr>
<tr>
<td>Net position - December 31</td>
<td>$ 441,121,617</td>
<td>$ 45,815,682</td>
<td>$ 486,937,299</td>
</tr>
</tbody>
</table>

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