

NORTHAMPTON COUNTY  
GENERAL PURPOSE AUTHORITY  
FINANCIAL STATEMENTS  
AS AT DECEMBER 31, 2015 AND 2014

NORTHAMPTON COUNTY GENERAL PURPOSE AUTHORITY  
Index to Financial Statements  
As at December 31, 2015 and 2014

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Notes to Financial Statements

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Northampton County General Purpose Authority  
Easton, PA

### Report on the Financial Statements

We have audited the accompanying financial statements of Northampton County General Purpose Authority, a component unit of the County of Northampton, as at and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northampton County General Purpose Authority, a component unit of the County of Northampton, as at and for the years ended December 31, 2015 and 2014, the respective changes in its financial position, and, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.



Stroudsburg, PA  
April 5, 2016

NORTHAMPTON COUNTY GENERAL PURPOSE AUTHORITY  
 Statements of Net Position  
 As at December 31, 2015 and 2014

Exhibit A

	<u>2015</u>	<u>2014</u>
Assets:		
Cash and Cash Equivalents:		
Cash - Note 2	\$968,660	\$1,354,091
Restricted cash - Notes 2 and 3	<u>1,000,000</u>	<u>500,000</u>
Total Cash and Cash Equivalents	1,968,660	1,854,091
Current Portion of Notes Receivable - Note 5	<u>1,437</u>	<u>0</u>
Total Current Assets	1,970,097	1,854,091
Notes Receivable - Note 5	<u>98,563</u>	<u>0</u>
Total Assets	<u>2,068,660</u>	<u>1,854,091</u>
Liabilities:		
Accounts payable	<u>15,009</u>	<u>29,676</u>
Net Position:		
Unrestricted	1,053,651	1,324,415
Restricted	<u>1,000,000</u>	<u>500,000</u>
Net Position	<u>\$2,053,651</u>	<u>\$1,824,415</u>

The "Notes to Financial Statements" are an integral part of these statements  
 and should be read in conjunction therewith.

NORTHAMPTON COUNTY GENERAL PURPOSE AUTHORITY  
 Statements of Revenues, Expenses, and Changes in Net Position  
 For the Years Ended December 31, 2015 and 2014

Exhibit B

	<u>2015</u>	<u>2014</u>
Program Revenues:		
Grants	\$1,000,000	\$500,000
Charges for services	63,300	52,250
Interest income	<u>2,665</u>	<u>2,190</u>
Total Program Revenues	<u>1,065,965</u>	<u>554,440</u>
Expenses:		
Community development	761,841	540,000
Legal and accounting	15,204	18,922
Insurance	3,190	3,157
Office	647	10,992
Staffing costs - Note 4	<u>55,847</u>	<u>63,960</u>
Total Expenses	<u>836,729</u>	<u>637,031</u>
Net Income (Loss) from Operations	229,236	(82,591)
Net Position at Beginning of Year	<u>1,824,415</u>	<u>1,907,006</u>
Net Position at End of Year	<u>\$2,053,651</u>	<u>\$1,824,415</u>

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 and should be read in conjunction therewith.

NORTHAMPTON COUNTY GENERAL PURPOSE AUTHORITY  
 Statements of Cash Flows  
 For the Years Ended December 31, 2015 and 2014

Exhibit C

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Cash received from customers	\$1,065,965	\$651,330
Cash paid to suppliers	<u>(851,396)</u>	<u>(632,413)</u>
Net Cash Provided by (Used by) Operating Activities	<u>214,569</u>	<u>18,917</u>
Cash Flows from Investing Activities:		
Principal payments received on notes payable	27,500	25,000
Principal advances on notes receivable	<u>(127,500)</u>	<u>0</u>
Net Cash Provided by (Used by) Investing Activities	<u>(100,000)</u>	<u>25,000</u>
Net Increase (Decrease) in Cash and Cash Equivalents	114,569	43,917
Cash and Cash Equivalents at Beginning of Year	<u>1,854,091</u>	<u>1,810,174</u>
Cash and Cash Equivalents at End of Year	<u>\$1,968,660</u>	<u>\$1,854,091</u>
Reconciliation of Net Income (Loss) to Net Cash Provided by (Used by) Operating Activities:		
Net income (loss) from operations	\$229,236	(\$82,591)
Adjustments to reconcile net income (loss) from operations to net cash provided by (used by) operating activities:		
Change in accounts receivable	0	96,890
Change in accounts payable	<u>(14,667)</u>	<u>4,618</u>
Net Cash Provided by (Used by) Operating Activities	<u>\$214,569</u>	<u>\$18,917</u>

The "Notes to Financial Statements" are an integral part of these statements  
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Notes to Financial Statements  
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Note 1: Summary of Significant Accounting Policies

Description of Reporting Entity

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 (50) years and for such further periods as authorized and permitted by provisions of the Authority Act. During 2013, the life of the Authority was extended to October 23, 2063.

Northampton County General Purpose Authority is part of Northampton County's reporting entity under criteria promulgated in Statement No. 14 of the Government Accounting Standards Board "The Financial Reporting Entity". Therefore, these are the separate component unit financial statements of the Northampton County General Purpose Authority.

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

Basis of Presentation

The Authority's financial results are reported on accrual basis, which recognizes all of its assets and liabilities. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows.

Northampton County General Purpose Authority applies all Governmental Accounting Standards Board (GASB) pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Cash and Cash Equivalents

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



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Note 1: Summary of Significant Accounting Policies: (Continued)

Accounts Receivable

Accounts receivable are carried at their estimated collectible amounts. Management carefully monitors the collection of these balances. Currently, there is no allowance for uncollectible accounts.

An allowance for uncollectible accounts would be recognized in the event that collection of some or all accounts receivable became uncertain.

Notes Receivable

Notes receivable are carried at their estimated collectible amounts. Management carefully monitors the collection of these balances. Historically the Authority has not experienced significant uncollectible accounts. As a result there is no allowance for uncollectible accounts. An allowance for uncollectible accounts would be recognized in the event that collection of some or all of the notes receivable balances became uncertain.

Net Position

Net position is classified into three components - (1) invested in capital assets, net of related debt, (2) restricted, and (3) unrestricted. These classifications are defined as follows:

1. Invested in capital assets, net of related debt - This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance of this category.
2. Restricted net position - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position - This category represents net position of the entity, not restricted for any project or other purpose.

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Note 1: Summary of Significant Accounting Policies: (Continued)

Currently, the Authority has Restricted and Unrestricted Net Position. Restricted Net Position relates to the Northampton County Loan and Development Fund and the Community Investment Partnership Program Revolving Loan Fund managed by the Authority, which include loan funds held by the Authority for disbursement to borrowers.

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

Use of Estimates

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

Operating and Nonoperating Items

NCGPA distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and administering programs in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are fees, grants, and interest income. The Authority's principal operating expenses include staffing and office costs, professional fees, and grant costs.

Note 2: Cash:

Deposit and Investment Policy

As an authority formed under the Municipal Authorities Act of 1945, the Authority is limited to depositing its funds in authorized investments as described below.

Custodial Credit Risk to Deposits

Custodial Credit Risk is the risk that, in the event of a bank failure, the Authority's deposits may not be recovered. The Authority's policy for minimizing credit risk for bank balances exceeding Federal Deposit Insurance Corporation's (FDIC) insured limits relies upon Act 72 of 1971. The Act requires the financial institution to pool collateral for all of its government deposits in addition to having the collateral held by an approved custodian in the institution's name.

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Note 2: Cash: (Continued)

Credit Risk

The Authority is permitted to invest funds in U.S. Treasury Bills, short-term obligations of the United States Government or its agencies or instrumentalities, obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, or obligations of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by full faith and credit of the political subdivision. In addition, the Authority may invest in savings accounts, time deposits, or share accounts of institutions insured by the FDIC or the Federal Savings and Loan Insurance Corporation or the National Credit Union Share Insurance Fund to the extent that such accounts are so insured and for any amounts above the insured maximum if the approved collateral as provided by law shall be pledged by the depository.

Reconciliation of Cash & Cash Equivalents:

Uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the Authority's name	\$1,734,425
Uninsured and collateralized with securities held by the pledging financial institution	0
Uninsured and uncollateralized	<u>0</u>
Total	<u>\$1,734,425</u>
Uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the Authority's name	\$1,734,425
Add: Amount Insured Under FDIC	250,000
Plus: Deposits in Transit	0
Less: Outstanding Checks	<u>0</u>
Total Cash and Cash Equivalents	<u>\$1,984,425</u>

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Note 3: Restricted Cash:

Restricted cash consists of monies restricted as follows:

	<u>2015</u>	<u>2014</u>
Northampton County Loan and Development Fund	\$500,000	\$500,000
Community Investment Partnership Program Revolving Loan Fund	<u>500,000</u>	<u>500,000</u>
Total Restricted Cash	<u>\$1,000,000</u>	<u>\$500,000</u>

Note4: Staffing Costs:

The Authority's staff members are employees of Northampton County Department of Community and Economic Development. The Authority reimburses the County for payroll and benefits costs for certain staff members.

Note5: Notes Receivable:

Notes receivable at December 31, are as follows:

	<u>2015</u>	<u>2014</u>
Beau's Peeps LLC – Mortgage loan, interest at 3%. Interest only payable monthly through August 1, 2016. Followed by 47 monthly payments of \$483 including principal and interest through August 1 2020. Balloon payment of all unpaid principal and interest due September 1, 2020. Secured by real estate.	\$50,000	\$0
Rising Tide Community Loan Fund – Unsecured promissory note, interest at 1% payable annually. Principal balance due upon maturity on November 25, 2020.	<u>50,000</u>	<u>0</u>
Total	<u>\$100,000</u>	<u>\$0</u>

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Note 5: Notes Receivable: (Continued)

Transactions relating to the Authority's Notes Receivable were as follows:

During the year ended December 31, 2015:

<u>Note Receivable</u>	<u>January 1</u>	<u>Additions</u>	<u>(Deductions)</u>	<u>December 31</u>	<u>Current Portion</u>
Beau's Peeps LLC	\$0	\$50,000	\$0	\$50,000	\$1,437
Third Street Alliance for Women and Children, Inc.	0	27,500	27,500	0	0
Rising Tide Community Loan Fund	<u>0</u>	<u>50,000</u>	<u>0</u>	<u>50,000</u>	<u>0</u>
Total Notes Receivable	<u>\$0</u>	<u>\$127,500</u>	<u>\$27,500</u>	<u>\$100,000</u>	<u>\$1,437</u>

During the year ended December 31, 2014:

<u>Note Receivable</u>	<u>January 1</u>	<u>Additions</u>	<u>(Deductions)</u>	<u>December 31</u>	<u>Current Portion</u>
Rising Tide Community Loan Fund	<u>0</u>	<u>50,000</u>	<u>(0)</u>	<u>50,000</u>	<u>\$0</u>
Total Notes Receivable	<u>\$0</u>	<u>\$127,500</u>	<u>(\$0)</u>	<u>\$100,000</u>	<u>\$0</u>

Note 6: Restricted Net Position:

Restricted net position relates to the two loan funds administered by the Authority.

	<u>2015</u>	<u>2014</u>
Northampton County Loan and Development Fund	\$500,000	\$500,000
Community Investment Partnership Program Revolving Loan Fund	<u>500,000</u>	<u>0</u>
Total	<u>\$1,000,000</u>	<u>\$500,000</u>

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Note 7: Risk Management:

The Authority is exposed to various risks of loss related to torts; and errors and omissions.

The Authority manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Torts, errors, and omissions	Purchased commercial insurance	None

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

Note 8: Subsequent Events

Management has evaluated subsequent events through April 5, 2016, the date the financial statements were available to be issued.

Note 9: Conduit Debt Obligations:

Not reported in the accompanying financial statements are various conduit debt obligations issued under the name of the Northampton County General Purpose Authority. 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.

NORTHAMPTON COUNTY GENERAL PURPOSE AUTHORITY  
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Note 9: Conduit Debt Obligations: (Continued)

The bonds are secured by the pledged revenue of the entities on whose behalf the debt is obtained.

Transactions relating to conduit debt for the year ended December 31, 2015 are as follows:

	January 1 <u>Balance</u>	<u>Issued</u>	<u>Retired</u>	December 31 <u>Balance</u>
Lehigh University Revenue Bond Series B 2000	\$18,170,000	\$0	\$805,000	\$17,365,000
Lehigh University Bond Series 2001	13,500,000	0	2,690,000	10,810,000
Lehigh University Higher Education Revenue Bonds Series 2006	11,980,000	0	1,535,000	10,445,000
Lehigh University Higher Education Revenue Bonds Series 2007 (CPI)	24,615,000	0	0	24,615,000
Lehigh University Higher Education Revenue Bonds Series 2007 (Term)	29,310,000	0	0	29,310,000
Lehigh University Higher Education Fixed Rate Bonds Series A of 2009	66,165,000	0	0	66,165,000
Lafayette College Revenue Bond Series 2003	10,190,000	0	0	10,190,000
Lafayette College Variable Rate Revenue Bonds Series 2006	11,000,000	0	0	11,000,000
Lafayette College Revenue Bond Series A of 2008	95,205,000	0	250,000	94,955,000
Lafayette College Revenue Bonds Series A & B 2010	26,290,000	0	0	26,290,000
Lafayette College Revenue Bonds Series A & B 2013	49,395,000	0	0	49,395,000
St. Luke's Hospital Revenue Bonds Series A 2008	175,000,000	0	0	175,000,000
St. Luke's Hospital Revenue Bonds Series A, B & C of 2010	59,105,000	0	0	59,105,000
St. Luke's Hospital Revenue Bonds Series D of 2010	29,300,000	0	0	29,300,000
St. Luke's Revenue Bonds Series A & B of 2013	65,000,000	0	0	65,000,000
St. Luke's Hospital Capital Lease Series 2014	30,000,000	0	0	30,000,000
St. Luke's Hospital Capital Lease Series 2015	0	30,000,000	0	30,000,000
Moravian College Revenue Bond Series 2012	19,860,000	0	575,000	19,285,000
Moravian College Revenue Bond Series 2013	9,585,000	0	220,000	9,365,000
<b>Total</b>	<b>\$743,670,000</b>	<b>\$30,000,000</b>	<b>\$6,075,000</b>	<b>\$767,595,000</b>