



STEPHEN J. BARRON, JR., CFE

CONTROLLER OF NORTHAMPTON COUNTY

NORTHAMPTON COUNTY COURTHOUSE
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TIMOTHY P. BRENNAN, ESQ.
Solicitor

May 9, 2017

Mr. John Cusick
and the Members of the Northampton County Council
Northampton County Government Center
Easton, PA 18042

Dear Council Members:

In conjunction with section 402.3 of the County of Northampton Home Rule Charter, I have prepared and hereby certify a statement of bonded indebtedness of Northampton County for the period ending December 31, 2016 with projections to December 31, 2017.

The following is a summary of bonded and note debt transactions and installment purchases for the calendar year 2016 and a projection of transactions for 2017. The accompanying schedules detail these transactions.

	2016 Actual			2017 Anticipated		
	Debt Service	Installment Purchase	Capital Lease	Debt Service	Installment Purchase	Capital Lease
Interest Paid by County	4,723,583	449,203	1,003,181	4,466,107	407,544	1,028,261
Principal Paid by County	6,305,000	1,364,419	0	6,565,000	1,499,562	0
Total Interest and Principal	<u>11,028,583</u>	<u>1,813,622</u>	<u>1,003,181</u>	<u>11,031,107</u>	<u>1,907,106</u>	<u>1,028,261</u>
Principal Balance						
December 31	<u>98,935,000</u>	<u>14,036,488</u>	<u>14,468,731</u>	<u>92,370,000</u>	<u>12,536,926</u>	<u>14,468,731</u>
Unamortized Bond Premium	10,009,355			9,197,756		
Unamortized Bond Discount	<u>(1,096,594)</u>			<u>(1,012,993)</u>		
Total Liability	<u>136,352,980</u>			<u>127,560,420</u>		

Very truly yours,

Stephen J. Barron, Jr., CFE
County Controller

Anthony D. Sabino, CIA
Lead Auditor

COUNTY OF NORTHAMPTON, PENNSYLVANIA

Long-Term Debt

Schedule of Current and Long-Term Bonded Debt Liability

For the year ended December 31, 2016 with Projections to December 31, 2017

SCHEDULE OF PRINCIPAL PAYMENTS

	<u>2003 Lease Rental Debt</u>		<u>2009 G.O. Bonds</u>		<u>2012 G.O. Bonds - Ser. A</u>		<u>2012 G.O. Bonds - Ser. B</u>		<u>2013 G.O. Bonds</u>		Totals
	<u>Date Paid/Due</u>	<u>Amount</u>	<u>Date Paid/Due</u>	<u>Amount</u>	<u>Date Paid/Due</u>	<u>Amount</u>	<u>Date Paid/Due</u>	<u>Amount</u>	<u>Date Paid/Due</u>	<u>Amount</u>	
Original Obligation		22,395,000		16,115,000		9,385,000		60,745,000		19,640,000	128,280,000
Balance 12/31/15		11,375,000		7,625,000		8,395,000		60,745,000		17,100,000	105,240,000
Less 2016 Payments	10/1/2016	(3,605,000)	11/15/2016	(1,065,000)	10/1/2016	(340,000)		0	8/15/2016	(1,295,000)	(6,305,000)
Balance 12/31/16		7,770,000		6,560,000		8,055,000		60,745,000		15,805,000	98,935,000
Less 2017 Payments Due	10/1/2017	(3,790,000)	11/15/2017	(1,105,000)	10/1/2017	(345,000)		0	8/15/2017	(1,325,000)	(6,565,000)
Projected Obligation 12/31/17		<u>3,980,000</u>		<u>5,455,000</u>		<u>7,710,000</u>		<u>60,745,000</u>		<u>14,480,000</u>	<u>92,370,000</u>

SCHEDULE OF INTEREST PAYMENTS

	<u>2003 Lease Rental Debt</u>		<u>2009 G.O. Bonds</u>		<u>2012 G.O. Bonds - Ser. A</u>		<u>2012 G.O. Bonds - Ser. B</u>		<u>2013 G.O. Bonds</u>		Totals
	<u>Date Paid/Due</u>	<u>Amount</u>	<u>Date Paid/Due</u>	<u>Amount</u>	<u>Date Paid/Due</u>	<u>Amount</u>	<u>Date Paid/Due</u>	<u>Amount</u>	<u>Date Paid/Due</u>	<u>Amount</u>	
Regular Payment	4/1/2016	284,375.00	5/15/2016	140,240.63	4/1/2016	109,269.75	4/1/2016	1,468,625.00	2/15/2016	359,281.25	2,361,791.63
Regular Payment	10/1/2016	284,375.00	11/15/2016	140,240.63	10/1/2016	109,269.75	10/1/2016	1,468,625.00	8/15/2016	359,281.25	2,361,791.63
Calendar Year 2016		<u>568,750.00</u>		<u>280,481.26</u>		<u>218,539.50</u>		<u>2,937,250.00</u>		<u>718,562.50</u>	<u>4,723,583.26</u>
Regular Payment	4/1/2017	194,250.00	5/15/2017	124,265.63	4/1/2017	106,056.75	4/1/2017	1,468,625.00	2/15/2017	339,856.25	2,233,053.63
Regular Payment	10/1/2017	194,250.00	11/15/2017	124,265.63	10/1/2017	106,056.75	10/1/2017	1,468,625.00	8/15/2017	339,856.25	2,233,053.63
Calendar Year 2017		<u>388,500.00</u>		<u>248,531.26</u>		<u>212,113.50</u>		<u>2,937,250.00</u>		<u>679,712.50</u>	<u>4,466,107.26</u>

Refer to Notes on following pages.

COUNTY OF NORTHAMPTON, PENNSYLVANIA
 Long-Term Debt
 Schedule of Current and Long-Term Installment Purchases
 For the year ended December 31, 2016 with Projections to December 31, 2017

SCHEDULE OF PRINCIPAL PAYMENTS

	Date <u>Paid/Due</u>	<u>Amount</u>	<u>Totals</u>
Original Obligation			<u>19,534,814</u>
Balance 12/31/15			15,400,907
Less 2016 Payments	6/1/2016	(653,993)	
	12/1/2016	<u>(710,426)</u>	
Total 2016 Payments			<u>(1,364,419)</u>
Balance 12/31/16			14,036,488
Less 2017 Payments	6/1/2017	(721,012)	
	12/1/2017	<u>(778,550)</u>	
Total 2017 Payments			<u>(1,499,562)</u>
Projected Obligation 12/31/17			<u><u>12,536,926</u></u>

SCHEDULE OF INTEREST PAYMENTS

	Date <u>Paid/Due</u>	<u>Amount</u>	<u>Totals</u>
	6/1/2016	229,473.52	
	12/1/2016	<u>219,729.02</u>	
Calendar Year 2016			<u><u>449,202.54</u></u>
	6/1/2017	209,143.67	
	12/1/2017	<u>198,400.59</u>	
Calendar Year 2017			<u><u>407,544.26</u></u>

COUNTY OF NORTHAMPTON, PENNSYLVANIA

Long-Term Debt

Notes to Schedule of Current and Long-Term Bonded and Note Debt Liability
For the year ended December 31, 2016 with Projections to December 31, 2017

1. General Obligation (G.O.) Bonds are backed by "...the Good Faith, Credit and Taxing Power of the County of Northampton."
2. In the Basic Financial Statements audited by RKL LLP, compensated absence benefits totaling \$7,649,385, net pension liability of \$57,866,980 and accrued self-insurance claims of \$7,913,369 are included. As these liabilities are neither bonded indebtedness nor installment contracts, they are not included in this Statement.
3. Lease Rental Debt – The 2003 Series Authority County Agreement Bonds in the amount of \$22,395,000 were issued in 2003 with varying interest rates from 2.75% to 5.25%. These bonds advance refunded \$20,890,000 of the 2001 Series Authority County Agreement bonds with varying interest rates from 3.75% to 5.75%. (The 2001 Bonds were issued on behalf of Northampton County by the General Purpose Authority, which is a Component Unit.) The 2003 bonds mature from October 1, 2003 through October 1, 2018 and are not callable. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds are called between October 1, 2013 and October 1, 2018.
4. GESA Financing – On June 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 purposes of installing energy saving equipment and providing other services designed to save energy for the County's property and buildings. On October 27, 2011, the County and McClure Company entered into an amended installment purchase agreement which includes installing energy saving equipment at the Gracedale Nursing Home. The total financed project cost was \$19,534,814. The lending agreement included a fixed interest rate of 2.98% for 12 years.
5. Capital Lease – On March 28, 2013, the County and Polaris Emrick Development, LP entered into a 30-year capital lease agreement to design and construct a three-story office building for the purpose of consolidating all non-Gracedale human service employees into one building. The County has an option to purchase the building after five years. If the County chooses to buy the building on the first available purchase date (March 31, 2019), a lump sum payment of \$14,468,731 will be due. Should the lease continue to the end of its 30-year term, the building will be conveyed to the County for one dollar. Using a nominal annual rate of 7.5%, the imputed interest would exceed the monthly rental payment. Therefore the County will treat the lease as an interest-only loan and classify the rental payments as interest. The principal balance initially will not be subject to amortization and the County will carry the balance in its financial records at the five-year purchase price of \$14,468,731.
6. The Audited Financial Statements include in note form issuance of additional Component Unit Debt known as Conduit Debt Obligations. These are bonds issued under the name of the Northampton County General Purpose Authority on behalf of Lehigh University, Lafayette College, Moravian College and St. Luke's Hospital for the purpose of tax-exempt financing for capital projects at those institutions. The bonds are not secured by or payable from revenues or assets of the Authority. Neither the faith and credit nor 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. Therefore, they are not included in this Statement. The total outstanding balance of these bonds as of December 31, 2016 is \$852,935,000.
7. The Audited Financial Statements include unamortized bond premium of \$10,009,355 and unamortized bond discount of \$1,096,594.

COUNTY OF NORTHAMPTON, PENNSYLVANIA

Long-Term Debt

Notes to Schedule of Current and Long-Term Bonded and Note Debt Liability
For the year ended December 31, 2016 with Projections to December 31, 2017

8. 2016 funding sources for the issues were as follows:

General Obligation Bonds	- General Fund	\$4,971,776	
	- E-911	\$277,956	
	- Gracedale	\$610,607	
	- Domestic Relations	\$108,678	
	- Juvenile Detention Center	\$885,816	
		<u> </u>	
Total Bonded debt payments			\$6,854,833
Lease Rental Debt	- General Fund	\$3,872,981	
	- Gracedale	\$90,411	
	- Domestic Relations	\$210,358	
		<u> </u>	
Total Lease Rental debt payments			\$4,173,750
Installment Purchases	- General Fund	\$621,075	
	- Gracedale	\$1,192,547	
		<u> </u>	
Total Installment Purchase payments			<u>\$1,813,622</u>
Total payments			<u><u>\$12,842,205</u></u>

COUNTY OF NORTHAMPTON, PENNSYLVANIA

Long-Term Debt

Total Debt Obligation By Year

	2003 Lease Rental Debt		2009 Issue		2011 Installment Purchase		2012 Issue Series A		2012 Issue Series B		2013 Issue		2013 Capital Lease		Total Debt Obligation
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2017	\$3,790,000	\$388,500	\$1,105,000	\$248,531	\$1,499,562	\$407,544	\$345,000	\$212,114	\$0	\$2,937,250	\$1,325,000	\$679,713	\$0	\$1,026,568	\$13,964,782
2018	\$3,980,000	\$199,000	\$370,000	\$215,381	\$1,644,596	\$361,827	\$350,000	\$205,076	\$0	\$2,937,250	\$2,150,000	\$626,713	\$0	\$1,052,232	\$14,092,075
2019			\$380,000	\$203,356	\$1,802,405	\$311,671	\$4,540,000	\$196,728	\$0	\$2,937,250	\$2,235,000	\$540,713	*	\$264,672	\$13,411,795
2020			\$395,000	\$190,056	\$1,970,333	\$256,737	\$2,820,000	\$81,639	\$1,780,000	\$2,937,250	\$2,375,000	\$451,313			\$13,257,328
2021			\$410,000	\$175,738	\$2,148,946	\$196,722			\$4,765,000	\$2,848,250	\$2,450,000	\$386,000			\$13,380,656
2022			\$425,000	\$160,875	\$2,338,840	\$131,301			\$5,000,000	\$2,610,000	\$2,570,000	\$263,500			\$13,499,516
2023			\$440,000	\$144,938	\$2,631,806	\$60,135			\$5,150,000	\$2,460,000	\$2,700,000	\$135,000			\$13,721,879
2024			\$455,000	\$127,338					\$5,410,000	\$2,202,500					\$8,194,838
2025			\$475,000	\$109,138					\$5,680,000	\$1,932,000					\$8,196,138
2026			\$495,000	\$89,544					\$5,965,000	\$1,648,000					\$8,197,544
2027			\$515,000	\$69,125					\$6,260,000	\$1,349,750					\$8,193,875
2028			\$535,000	\$47,238					\$6,580,000	\$1,036,750					\$8,198,988
2029			\$560,000	\$24,500					\$6,905,000	\$707,750					\$8,197,250
2030									\$7,250,000	\$362,500					\$7,612,500

* On 3/31/2019, the County may elect to purchase the building associated with this lease for a fixed sum, or it may elect to continue making lease payments. Since this decision has not been made, no further projected payments are included here.