



**RICHARD J. SZULBORSKI**

**CONTROLLER OF NORTHAMPTON COUNTY**

NORTHAMPTON COUNTY COURTHOUSE  
669 WASHINGTON STREET  
EASTON, PENNSYLVANIA 18042

**PAUL L. ALBERT, CIA**  
Audit Manager

**MICHAEL P. SHAY, ESQ.**  
Solicitor

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

August 8, 2019

Mr. Ronald R. Heckman  
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, 2018 with projections to December 31, 2019.

The following is a summary of bonded and note debt transactions and installment purchases for the calendar year 2018 and a projection of transactions for 2019. The accompanying schedules detail these transactions.

	2018 Actual			2019 Anticipated		
	Debt Service	Installment Purchase	Capital Lease	Debt Service	Installment Purchase	Capital Lease
Interest Paid by County	4,183,419	361,827	1,053,968	3,878,047	311,671	266,451
Principal Paid by County	6,850,000	1,644,596	0	7,155,000	1,802,405	0
Total Interest and Principal	<u>11,033,419</u>	<u>2,006,423</u>	<u>1,053,968</u>	<u>11,033,047</u>	<u>2,114,076</u>	<u>266,451</u>
Principal Balance						
December 31	<u>85,520,000</u>	<u>10,892,330</u>	<u>14,468,731</u>	<u>78,365,000</u>	<u>9,089,925</u>	<u>14,468,731</u>
Unamortized Bond Premium	8,386,157			7,574,556		
Unamortized Bond Discount	<u>(929,392)</u>			<u>(845,792)</u>		
Total Liability	<u>118,337,826</u>			<u>108,652,420</u>		

Very truly yours,

Richard J. Szulborski  
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, 2018 with Projections to December 31, 2019

**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
	Date Paid/Due	Amount	Date Paid/Due	Amount	Date Paid/Due	Amount	Date Paid/Due	Amount	Date Paid/Due	Amount	
Original Obligation		22,395,000		16,115,000		9,385,000		60,745,000		19,640,000	128,280,000
<b>Balance 12/31/17</b>		3,980,000		5,455,000		7,710,000		60,745,000		14,480,000	92,370,000
Less 2018 Payments	10/1/2018	(3,980,000)	11/15/2018	(370,000)	10/1/2018	(350,000)		0	8/15/2018	(2,150,000)	(6,850,000)
<b>Balance 12/31/18</b>		0		5,085,000		7,360,000		60,745,000		12,330,000	85,520,000
Less 2019 Payments Due		0	11/15/2019	(380,000)	10/1/2019	(4,540,000)		0	8/15/2019	(2,235,000)	(7,155,000)
Projected Obligation 12/31/19		0		4,705,000		2,820,000		60,745,000		10,095,000	78,365,000

**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
	Date Paid/Due	Amount	Date Paid/Due	Amount	Date Paid/Due	Amount	Date Paid/Due	Amount	Date Paid/Due	Amount	
Regular Payment	4/1/2018	99,500.00	5/15/2018	107,690.63	4/1/2018	102,537.75	4/1/2018	1,468,625.00	2/15/2018	313,356.25	2,091,709.63
Regular Payment	10/1/2018	99,500.00	11/15/2018	107,690.63	10/1/2018	102,537.75	10/1/2018	1,468,625.00	8/15/2018	313,356.25	2,091,709.63
<b>Calendar Year 2018</b>		199,000.00		215,381.26		205,075.50		2,937,250.00		626,712.50	4,183,419.26
Regular Payment		0.00	5/15/2019	101,678.13	4/1/2019	98,364.00	4/1/2019	1,468,625.00	2/15/2019	270,356.25	1,939,023.38
Regular Payment		0.00	11/15/2019	101,678.13	10/1/2019	98,364.00	10/1/2019	1,468,625.00	8/15/2019	270,356.25	1,939,023.38
<b>Calendar Year 2019</b>		0.00		203,356.26		196,728.00		2,937,250.00		540,712.50	3,878,046.76

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, 2018 with Projections to December 31, 2019

SCHEDULE OF PRINCIPAL PAYMENTS

	<u>Date Paid/Due</u>	<u>Amount</u>	<u>Totals</u>
Original Obligation			<u>19,534,814</u>
<b>Balance 12/31/17</b>			12,536,926
Less 2018 Payments	6/1/2018	(790,150)	
	12/1/2018	<u>(854,446)</u>	
Total 2018 Payments			<u>(1,644,596)</u>
<b>Balance 12/31/18</b>			10,892,330
Less 2019 Payments	6/1/2019	(867,177)	
	12/1/2019	<u>(935,228)</u>	
Total 2019 Payments			<u>(1,802,405)</u>
<b>Projected Obligation 12/31/18</b>			<u><u>9,089,925</u></u>

SCHEDULE OF INTEREST PAYMENTS

	<u>Date Paid/Due</u>	<u>Amount</u>	<u>Totals</u>
	6/1/2018	186,800.20	
	12/1/2018	<u>175,026.96</u>	
<b>Calendar Year 2018</b>			<u><u>361,827.16</u></u>
	6/1/2019	162,295.72	
	12/1/2019	<u>149,374.79</u>	
<b>Calendar Year 2019</b>			<u><u>311,670.51</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, 2018 with Projections to December 31, 2019

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 \$7,573,753, net OPEB liability of \$51,183,336, pension liability of \$55,718,304 and accrued self-insurance claims of \$5,472,230 are included. As these liabilities are neither bonded indebtedness nor installment contracts, they are not included in this Statement.
3. 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.
4. 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 has treated the lease as an interest-only loan and classified the rental payments as interest. The principal balance has not been subject to amortization and the County has carried the balance in its financial records at the five-year purchase price of \$14,468,731. On November 1, 2018, County Council enacted Ordinance #649 authorizing the issuance of General Obligation Bonds; one of the stated purposes of this bond issue is to exercise the option of purchasing the Human Service Building, thereby extinguishing the capital lease. This debt, however, was not issued by 12/31/18.
5. 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, St. Luke's Hospital and Morningstar Senior Housing 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, 2018 is \$997,800,146.
6. The Audited Financial Statements include unamortized bond premium of \$8,386,157 and unamortized bond discount of \$929,392.

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, 2018 with Projections to December 31, 2019

7. 2018 funding sources for the issues were as follows:

General Obligation Bonds	- General Fund	\$4,625,126	
	- E-911	\$414,815	
	- Gracedale	\$522,907	
	- Domestic Relations	\$108,678	
	- Juvenile Detention Center	<u>\$1,182,893</u>	
Total Bonded debt payments			\$6,854,419
Lease Rental Debt	- General Fund	\$3,877,921	
	- Gracedale	\$90,526	
	- Domestic Relations	<u>\$210,553</u>	
Total Lease Rental debt payments			\$4,179,000
Installment Purchases	- General Fund	\$687,099	
	- Gracedale	<u>\$1,319,324</u>	
Total Installment Purchase payments			<u>\$2,006,423</u>
Total payments			<u><u>\$13,039,842</u></u>

**COUNTY OF NORTHAMPTON, PENNSYLVANIA**

*Long-Term Debt*

Total Debt Obligation By Year

	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	
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.