

***THE SULLIVAN COUNTY INFRASTRUCTURE
LOCAL DEVELOPMENT CORPORATION***

***FINANCIAL STATEMENTS
DECEMBER 31, 2018***

THE SULLIVAN COUNTY INFRASTRUCTURE
LOCAL DEVELOPMENT CORPORATION

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INDEPENDENT AUDITORS' REPORT

To the Board of The Sullivan County Infrastructure
Local Development Corporation
Monticello, NY 12701

We have audited the accompanying statements of financial position of The Sullivan County Infrastructure Local Development Corporation, a component unit of the County of Sullivan, New York, as of December 31, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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 audit. 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 of 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 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 that we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

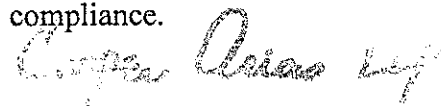
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Sullivan County Infrastructure Local Development Corporation as of December 31, 2018 and 2017, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2019, on our consideration of The Sullivan County Infrastructure Local Development Corporation'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 the 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 Sullivan County Infrastructure Local Development Corporation's internal control over financial reporting and compliance.



Mongaup Valley, New York
March 27, 2019

The Management's Discussion and Analysis of the financial performance of The Sullivan County Infrastructure Local Development Corporation (the "Corporation") provides an overall review of the Corporation's financial activities for the fiscal year ended December 31, 2018. The intent of this discussion and analysis is to look at the Corporation's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Corporation's financial performance.

Financial Highlights

1. The Corporation has issued long term debt of \$108,959,250 in revenue bonds, net of a \$1,115,750 discount. The bonds bear interest at 4.85% and 5.35% per annum with final maturities of November 2031 and November 2049. The Corporation's debt will be paid by the Town of Thompson, New York, through the collection of service fees paid from special assessments imposed on the chargeable properties benefiting from the public improvements.
2. The deficit net position of \$8,409,072 at December 31, 2018 was due to administrative fees, cost of issuing bonds, debt service expenses and depreciation expense incurred before generating any service fees.
3. All costs were fully paid with bond proceeds and other sources of funds, and therefore, no special assessments were imposed for the years ended December 31, 2018 or 2017.

Overview of the Financial Statements

This annual report consists of two parts – management's discussion and analysis and the basic financial statements consisting of a *Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; Statement of Cash Flows*; and related footnotes. The Statement of Net Position represents the financial position of the Corporation and provides information about the activities of the Corporation, including all short-term and long-term financial resources and obligations. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included in the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in net position. The Statement of Cash Flows reflects how the Corporation finances and meets its cash flow needs. Finally, the notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided on the basic financial statements.

Comparative Financial Analysis

Summary Statement of Net Position

	<u>2018</u>	<u>2017</u>
Assets:		
Current assets	\$ 12,858,997	\$ 8,849,170
Noncurrent assets	100,322,710	107,434,408
Total assets	<u>113,181,707</u>	<u>116,283,578</u>
Liabilities:		
Current liabilities	12,528,769	8,465,937
Long-term debt	109,062,010	109,012,436
Total Liabilities	<u>121,590,779</u>	<u>117,478,373</u>
Net Position		
Net investment in capital assets	(2,581,301)	-
Unrestricted	(5,827,771)	(1,194,795)
Total Net Position	<u>\$ (8,409,072)</u>	<u>\$ (1,194,795)</u>

The deficit in net position is due to the Corporation's administrative fees, bond issuance costs, debt service expenses and depreciation.

Summary Statement of Revenues, Expenses, and Changes in Net Position

	<u>2018</u>	<u>2017</u>
Operating Revenues	\$ _____ -	\$ _____ -
Operating Expenses:		
Administrative Fees	37,354	51,717
Legal Fees	9,000	18,075
Audit Fees	7,500	7,500
Insurance Expense	<u>4,150</u>	<u>3,819</u>
Total Operating Expenses	<u>58,004</u>	<u>81,111</u>
Operating Loss	<u>(58,004)</u>	<u>(81,111)</u>
Non-operating Revenues:		
Investment Income	265,963	-
Non-operating Expenses:		
Interest Expense	(4,840,935)	-
Depreciation Expense	<u>(2,581,301)</u>	<u> -</u>
Total Non-Operating Revenues(Expenses)	<u>(7,156,273)</u>	<u> -</u>
Change in Net Position	<u>\$ (7,214,277)</u>	<u>\$ (81,111)</u>

Net Position decreased in 2018 and 2017 due to the Corporation's expenses paid from bond proceeds. No special assessments have been imposed or collected.

Capital Assets

The Corporation's capital assets consisted of construction of the infrastructure improvements, net of bond interest expense and investment income. Net capital assets at December 31, 2018 and 2017 were \$93,812,540 and \$83,934,927, respectively, which represents ongoing construction of the infrastructure improvements.

Long-Term Debt

The Corporation's outstanding long term debt consisted of the following:

<u>DESCRIPTION</u>	<u>ISSUE DATE</u>	<u>FINAL MATURITY</u>	<u>INTEREST RATE</u>	<u>OUTSTANDING 12/31/18</u>
Series 2016A	2016	2031	4.85%	\$ 15,085,000
Series 2016A	2016	2049	5.35%	49,085,000
Series 2016B	2016	2031	4.85%	2,165,000
Series 2016B	2016	2049	5.35%	7,005,000
Series 2016C	2017	2031	4.85%	2,115,000
Series 2016C	2017	2049	5.35%	6,920,000
Series 2016D	2017	2031	4.85%	1,395,000
Series 2016D	2017	2049	5.35%	4,540,000
Series 2016E	2017	2031	4.85%	5,110,000
Series 2016E	2017	2049	5.35%	<u>16,655,000</u>
				<u>\$ 110,075,000</u>

The total bonds issued of \$110,075,000 will be used to finance infrastructure improvements, debt service costs and bond issuance costs. Interest is due semi-annually beginning in November 2016 and principal payments are due annually beginning in November 2020.

Operations and Accomplishments

The Sullivan County Infrastructure Local Development Corporation was formed in 2016. Its mission is to develop, own, construct (or cause to be constructed), and maintain (or cause to be maintained) certain infrastructure and related improvements located on approximately 1,700 acres of land located in the Town of Thompson, Sullivan County in connection with the Adelaar Resort Project, and will be operated exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, to relieve and reduce unemployment, promote and provide for additional and maximum employment, improve and maintain job opportunities, and lessen the burden of government and act in the public interest.

In furtherance of this mission, on June 13, 2016, the Corporation authorized the issuance, execution, sale and delivery of revenue bonds to finance the acquisition and construction of public infrastructure improvements for the Adelaar Project in the Town of Thompson.

In 2018, the Board of Directors of The Sullivan County Infrastructure Local Development Corporation met six times, in February, March, August, September, November, and December to conduct business. At its February meeting, the Corporation reviewed its policies, mission statement, and performance measurements. At its March meeting, the Board conducted its annual self-evaluation. At its September meeting, the Corporation approved its 2019 budget. In addition to meetings of the full Board of Directors, the Governance Committee met in September to conduct its annual business.

Contacting Corporation's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Corporation's finances and to reflect the Corporation's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to, Jennifer Flad., 548 Broadway Monticello, NY 12701.

THE SULLIVAN COUNTY INFRASTRUCTURE
LOCAL DEVELOPMENT CORPORATION
STATEMENT OF NET POSITION
AS OF DECEMBER 31,

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets		
Cash and Equivalents	\$ 49,307	\$ (230)
Cash and Equivalents – Restricted	11,903,803	397,673
Investments - Restricted	<u>905,887</u>	<u>8,451,727</u>
Total Current Assets	<u>12,858,997</u>	<u>8,849,170</u>
Noncurrent Assets		
Cash and Equivalents - Restricted	82,748	22,959
Investments - Restricted	6,406,368	23,400,022
Interest Receivable - Restricted	21,054	76,500
Capital Assets, Net	<u>93,812,540</u>	<u>83,934,927</u>
Total Noncurrent Assets	<u>100,322,710</u>	<u>107,434,408</u>
Total Assets	<u>113,181,707</u>	<u>116,283,578</u>
Liabilities		
Current Liabilities		
Accounts Payable	13,115	14,210
Accrued Liabilities	11,543,806	7,491,879
Accrued Interest Payable	959,848	959,848
Due To Related Parties	<u>12,000</u>	<u>-</u>
Total Current Liabilities	<u>12,528,769</u>	<u>8,465,937</u>
Noncurrent Liabilities		
Bonds Payable, Net Of Discount	<u>109,062,010</u>	<u>109,012,436</u>
Total Noncurrent Liabilities	<u>109,062,010</u>	<u>109,012,436</u>
Total Liabilities	<u>121,590,779</u>	<u>117,478,373</u>
Net Position		
Net Investment In Capital Assets	(2,581,301)	-
Unrestricted	<u>(5,827,771)</u>	<u>(1,194,795)</u>
Net Position	<u>\$ (8,409,072)</u>	<u>\$ (1,194,795)</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

THE SULLIVAN COUNTY INFRASTRUCTURE
LOCAL DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
AS OF DECEMBER 31,

	<u>2018</u>	<u>2017</u>
Operating Expenses		
Administrative Fees	\$ 37,354	\$ 51,717
Legal Fees	9,000	18,075
Audit Fees	7,500	7,500
Insurance Expense	<u>4,150</u>	<u>3,819</u>
Total Operating Expenses	<u>58,004</u>	<u>81,111</u>
Operating Income (Loss)	<u>(58,004)</u>	<u>(81,111)</u>
Non-Operating Revenues (Expenses)		
Investment Income	265,963	-
Depreciation Expense	(2,581,301)	-
Interest Expense	<u>(4,840,935)</u>	<u>-</u>
Total Non-Operating Revenues (Expenses)	<u>(7,156,273)</u>	<u>-</u>
Change In Net Position	(7,214,277)	(81,111)
Net Position, Beginning Of Year	<u>(1,194,795)</u>	<u>(1,113,684)</u>
Net Position, End Of Year	<u>\$ (8,409,072)</u>	<u>\$ (1,194,795)</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

THE SULLIVAN COUNTY INFRASTRUCTURE
LOCAL DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
AS OF DECEMBER 31,

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		
Cash Payments For Operating Expenses	\$ (47,099)	\$ (76,514)
Net Cash Used In Operating Activities	<u>(47,099)</u>	<u>(76,514)</u>
Cash Flows From Investing Activities		
Interest Received From Investments	374,601	420,477
Investments (Purchased)/Sold	<u>24,539,495</u>	<u>(5,950,582)</u>
Net Cash Provided/(Used) In Investing Activities	<u>24,914,096</u>	<u>(5,530,105)</u>
Cash Flows From Capital And Related Financing Activities		
Proceeds From Bond Issuance	-	36,735,000
Acquisition And Construction Of Capital Assets	(7,491,879)	(26,284,963)
Interest Paid On Bonds	<u>(5,759,662)</u>	<u>(4,882,771)</u>
Net Cash Provided/(Used) By Capital And Related Financing Activities	<u>(13,251,541)</u>	<u>5,567,266</u>
Change In Cash Balance	11,615,456	(39,353)
Cash and Equivalents, Beginning Of Year	<u>420,402</u>	<u>459,755</u>
Cash and Equivalents, End Of Year	<u>\$ 12,035,858</u>	<u>\$ 420,402</u>
Adjustments To Reconcile Operating Income (Loss) To Net Cash Used In Operating Activities:		
Operating Income (Loss)	\$ (58,004)	\$ (81,111)
Adjustments:		
Increase (Decrease) In Accounts Payable	(1,095)	4,597
Increase (Decrease) In Due To Related Parties	<u>12,000</u>	<u>-</u>
Net Cash Used In Operating Activities	<u>\$ (47,099)</u>	<u>\$ (76,514)</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

THE SULLIVAN COUNTY INFRASTRUCTURE
LOCAL DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 – REPORTING ENTITY

The Sullivan County Infrastructure Local Development Corporation (the “Corporation”) was established on February 10, 2016 under Section 1411 of the Not For Profit Corporation Law of the State of New York, which covers local development corporations. The purpose of the Corporation is to develop, own, construct, and maintain certain infrastructure and related improvements on approximately 1,700 acres in the Town of Thompson, Sullivan County, to foster the creation, retention and expansion of jobs and economic opportunities for the benefit of the County, State and local economies.

The Corporation is a component unit of the County of Sullivan, New York. The County Manager appoints the board members of the Corporation. The financial activities of the Corporation are combined with the financial activities of the County of Sullivan and other component units, which constitutes the entire reporting entity for the County of Sullivan.

The Corporation’s management believes these financial statements present all activities for which the Corporation is financially accountable.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

The Corporation follows the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when incurred. Fixed assets and long-term liabilities related to these activities are recorded within the financial statements.

Use of Estimates

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

THE SULLIVAN COUNTY INFRASTRUCTURE
LOCAL DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating Revenues and Expenses

In the statement of revenues, expenses and changes in fund net position, operating revenues and expenses include all activity that is part of the Corporation's normal operating activities. Interest earned on investment or cash balances, depreciation and unusual or infrequent items are included as non-operating activities.

Cash and Equivalents

For the statement of cash flows, the Corporation considers cash and investments in money market accounts as cash equivalents.

New Accounting Standards

The Corporation has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At December 31, 2018 the Corporation implemented the following new standards:

GASB 75 – *Accounting and Reporting for Post-Employment Benefits Other Than Pensions*

GASB 85 – *Omnibus 2017*

GASB 86 – *Certain Debt Extinguishment Issues*

Future Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following standards that will become effective in future fiscal years:

GASB 83 – *Certain Asset Retirement Obligations*, effective for the year ending December 31, 2019.

GASB 84 – *Fiduciary Activities*, effective for the year ending December 31, 2019

GASB 87 – *Leases*, effective for the year ending December 31, 2020

THE SULLIVAN COUNTY INFRASTRUCTURE
LOCAL DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB 88 – Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements, effective for the year ending December 31, 2019.

GASB 89 – Accounting for Interest Cost Incurred Before the End of a Construction Period, effective for the year ending December 31, 2020.

GASB 90 – Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61, effective for the year ending December 31, 2019.

The Corporation will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

Equity Classifications

In the financial statements there are three classes of net position:

Net investment in capital assets – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets.

Restricted – reports net position when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted – reports all other net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the Corporation.

Order of Use of Net Position:

When an expense is incurred for which both restricted and unrestricted resources are available, the Board will assess the current financial condition of the Corporation and then determine which classification of net position will be applied.

THE SULLIVAN COUNTY INFRASTRUCTURE
LOCAL DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, which 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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Corporation reported no deferred outflows or inflows of resources as of December 31, 2018 and 2017.

Capital Assets

The Corporation records capital assets at historical cost and depreciates the assets on a straight-line basis over their estimated useful life of 30 years. Assets are not depreciated until placed in service. The Corporation does not maintain a capitalization threshold as all infrastructure assets are capitalized. Interest expense during the period of construction is capitalized, net of investment earnings.

NOTE 3 – CASH AND EQUIVALENTS

Cash received by the Corporation is deposited with a financial institution or invested. Bank balances and money market accounts are presented in the financial statements as cash and equivalents. Bank balances are fully covered by FDIC insurance and money market accounts, which consist of US Government obligations, are authorized in accordance with provisions of the Trust Indenture. The Corporation's cash and equivalents consisted of the following at December 31:

<u>Description</u>	<u>2018</u>	<u>2017</u>
Checking Account	\$ 49,307	\$ (230)
Money Market Accounts	<u>11,986,551</u>	<u>420,632</u>
	<u>\$ 12,035,858</u>	<u>\$ 420,402</u>

Money market accounts consist of unspent debt proceeds and are restricted to expenses related to the debt issue.

THE SULLIVAN COUNTY INFRASTRUCTURE
LOCAL DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 4 - INVESTMENTS

Investments, which have a credit quality rating of A1 from Moody's, are in accordance with the provisions of the Trust Indenture. Investments are reported at cost and consisted of the following at December 31:

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>2018</u>	<u>2017</u>
Guaranteed Investment Contract	1.050%	2/1/18	\$ -	\$ 7,657,343
Guaranteed Investment Contract	1.050%	2/1/18	-	2,045,908
Guaranteed Investment Contract	1.050%	2/1/18	-	2,612,183
Guaranteed Investment Contract	1.050%	2/1/18	-	1,152,813
Guaranteed Investment Contract	1.050%	2/1/18	-	5,402,239
Guaranteed Investment Contract	1.117%	11/1/19	3,608,452	9,277,460
Guaranteed Investment Contract	1.640%	11/1/27	<u>3,703,803</u>	<u>3,703,803</u>
			<u>\$ 7,312,255</u>	<u>\$ 31,851,749</u>

Investments consist of unspent debt proceeds and are restricted to expenses related to the debt issue.

NOTE 5 – CAPITAL ASSETS

The Corporation's capital asset activity for the years ended December 31, 2018 and 2017 was as follows:

<u>2018</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Improvements:				
Sewer District	\$ 10,249,831	\$ 6,502,962	\$ -	\$ 16,752,793
Water District	13,494,079	814,499	-	14,308,578
Drainage District	12,860,478	1,852,425	-	14,712,903
Lighting District	10,943,829	105	-	10,943,934
Road District	26,691,586	2,373,815	-	29,065,401
Water Storage	3,000,000	-	-	3,000,000
Capitalized bond interest	7,192,247	968,301	-	8,160,548
Capitalized investment income	(497,123)	(53,193)	-	(550,316)
Total Historical Cost	<u>83,934,927</u>	<u>12,458,914</u>	-	<u>96,393,841</u>

THE SULLIVAN COUNTY INFRASTRUCTURE
LOCAL DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 5 – CAPITAL ASSETS (Continued)

2018 (continued)	Beginning Balance	Additions	Deletions	Ending Balance
Accumulated Depreciation:				
Sewer District	\$ -	\$ 411,145	\$ -	\$ 411,145
Water District	-	390,657	-	390,657
Drainage District	-	393,239	-	393,239
Lighting District	-	303,985	-	303,985
Road District	-	787,558	-	787,558
Water Storage	-	83,330	-	83,330
Capitalized Bond Interest	-	226,673	-	226,673
Capitalized Investment Income	-	(15,286)	-	(15,286)
Total Accumulated Depreciation	-	2,581,301	-	2,581,301
Net Book Value	\$ -	\$ 9,877,613	\$ -	\$ 93,812,540

2017	Beginning Balance	Additions	Deletions	Ending Balance
Construction in progress:				
Sewer District	\$ 9,012,691	\$ 1,237,140	\$ -	\$ 10,249,831
Water District	12,881,313	612,766	-	13,494,079
Drainage District	12,075,829	784,649	-	12,860,478
Lighting District	9,787,449	1,156,380	-	10,943,829
Road District	23,623,975	3,067,611	-	26,691,586
Water Storage	125,125	2,874,875	-	3,000,000
Capitalized bond interest	1,947,110	5,245,137	-	7,192,247
Capitalized investment income	(119,568)	(377,555)	-	(497,123)
Total Capital Assets	\$ 69,333,924	\$ 14,601,003	\$ -	\$ 83,934,927

THE SULLIVAN COUNTY INFRASTRUCTURE
LOCAL DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 6 – LIABILITIES

Long Term Debt

Revenue Bonds

The Corporation has been authorized to issue \$110,075,000 in revenue bonds to finance public infrastructure improvements, to fund a debt service reserve fund, to fund the payment of interest on the bonds prior to and during construction, and to pay costs of issuing the bonds. The Town of Thompson, New York, on behalf of the Corporation, will impose and collect special assessments in an amount sufficient to pay the annual Service Fee (Note 7). The bonds are special limited obligations of the Corporation payable solely from and secured by a pledge of the Service Fee and certain funds held by the Trustee. As of December 31, 2018, the Corporation has issued the total authorization.

The bonds were issued at a discount totaling \$1,115,750, which is being amortized using the effective interest method over the life of the bonds.

Changes

The changes in the Corporation's indebtedness during the years ended December 31, 2018 and 2017 are as follows:

<u>2018</u>	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Series 2016A Bonds	\$ 64,170,000	\$ -	\$ -	\$ 64,170,000	\$ -
Series 2016B Bonds	9,170,000	-	-	9,170,000	-
Series 2016C	9,035,000	-	-	9,035,000	-
Series 2016D	5,935,000	-	-	5,935,000	-
Series 2016E	21,765,000	-	-	21,765,000	-
Less: Unamortized discount	(1,062,564)	-	49,574	(1,012,990)	49,574
Total Bonds Payable	\$ 109,012,436	\$ -	\$ 49,574	\$ 109,062,010	\$ 49,574

<u>2017</u>	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Series 2016A Bonds	\$ 64,170,000	\$ -	\$ -	\$ 64,170,000	\$ -
Series 2016B Bonds	9,170,000	-	-	9,170,000	-
Series 2016C	-	9,035,000	-	9,035,000	-
Series 2016D	-	5,935,000	-	5,935,000	-
Series 2016E	-	21,765,000	-	21,765,000	-
Less: Unamortized discount	(1,104,591)	-	42,027	(1,062,564)	49,574
Total Bonds Payable	\$ 72,235,409	\$ 36,735,000	\$ 42,027	\$ 109,012,436	\$ 49,574

THE SULLIVAN COUNTY INFRASTRUCTURE
LOCAL DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 6 – LIABILITIES (Continued)

Maturity

The following is a summary of maturity of indebtedness:

<u>DESCRIPTION</u>	<u>ISSUE DATE</u>	<u>FINAL MATURITY</u>	<u>INTEREST RATE</u>	<u>OUTSTANDING 12/31/18</u>
Series 2016A	2016	2031	4.85%	\$ 15,085,000
Series 2016A	2016	2049	5.35%	49,085,000
Series 2016B	2016	2031	4.85%	2,165,000
Series 2016B	2016	2049	5.35%	7,005,000
Series 2016C	2017	2031	4.85%	2,115,000
Series 2016C	2017	2049	5.35%	6,920,000
Series 2016D	2017	2031	4.85%	1,395,000
Series 2016D	2017	2049	5.35%	4,540,000
Series 2016E	2017	2031	4.85%	5,110,000
Series 2016E	2017	2049	5.35%	<u>16,655,000</u>
				<u>\$ 110,075,000</u>

For year ending December 31:	Principal	Interest
2019	\$ -	\$ 5,759,662
2020	1,640,000	5,759,663
2021	1,725,000	5,680,122
2022	1,805,000	5,596,460
2023	1,890,000	5,508,918
2024-2028	10,910,000	26,078,432
2029-2033	13,855,000	23,148,113
2034-2038	17,905,000	19,115,550
2039-2043	23,205,000	13,788,822
2044-2048	30,115,000	6,880,368
2049	<u>7,025,000</u>	<u>375,837</u>
Total	<u>\$ 110,075,000</u>	<u>\$ 117,691,947</u>

THE SULLIVAN COUNTY INFRASTRUCTURE
LOCAL DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 6 – LIABILITIES (Continued)

Interest

Interest expense on long term debt consisted of the following:

	<u>2018</u>	<u>2017</u>
Interest Paid	\$ 5,759,662	\$ 4,882,771
Less: Interest Accrued in the Prior Year	(959,848)	(639,509)
Plus: Interest Accrued in the Current Year	959,848	959,848
Amortization of Bond Discount	49,574	42,027
 Total Interest	 <u>\$ 5,809,236</u>	 <u>\$ 5,245,137</u>
 Capitalized Interest	 \$ 968,301	 \$ 5,245,137
Interest Expense	4,840,935	-
	 <u>\$ 5,809,236</u>	 <u>\$ 5,245,137</u>

NOTE 7 – REVENUES

Pursuant to the Infrastructure Agreement, the Town of Thompson, New York is obligated to impose special assessments on property within the Infrastructure Improvement Districts in an amount sufficient to pay the annual Service Fee. The Service Fee consists of the amount of principal and interest due annually on the bonds, less any amounts on deposit with the Corporation in accounts intended for payment of debt service, plus any amounts due under the Indenture to replenish any reserve funds and administrative expense funds created under the Indenture. There was no special assessment requirement for the years ended December 31, 2018 or 2017.

NOTE 8 – RELATED PARTIES

During the years ended December 31, 2018 and 2017, the Corporation paid \$12,000 and \$11,437, respectively, for administrative services to the County of Sullivan Industrial Development Agency, which is a component unit of the County of Sullivan. As of December 31, 2018 and 2017, the Corporation had an outstanding liability of \$12,000 and \$0, respectively, to the County of Sullivan Industrial Development Agency.

THE SULLIVAN COUNTY INFRASTRUCTURE
 LOCAL DEVELOPMENT CORPORATION
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2018

NOTE 9 – NET INVESTMENT IN CAPITAL ASSETS

Capital Assets, Net	\$ 93,812,540
Less: Bonds Payable	<u>(96,393,841)</u>
Net Investment in Capital Assets	<u>\$ (2,581,301)</u>

NOTE 10 – LIABILITIES PAID FROM RESTRICTED ASSETS

The following liabilities of the Corporation will be paid from restricted assets:

	<u>2018</u>	<u>2017</u>
Accrued Liabilities	\$ 11,543,806	\$ 7,491,879
Accrued Interest	<u>959,848</u>	<u>959,848</u>
	<u>\$ 12,503,654</u>	<u>\$ 8,451,727</u>

NOTE 11 – EVENTS OCCURRING AFTER REPORTING DATE

The Corporation has evaluated events and transactions that occurred between December 31, 2018 and March 27, 2019, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

To the Board of The Sullivan County Infrastructure
Local Development Corporation
Monticello, New York 12701

We have audited, 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, the financial statements of The Sullivan County Infrastructure Local Development Corporation, a component unit of the County of Sullivan, New York, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise The Sullivan County Infrastructure Local Development Corporation's financial statements and have issued our report thereon dated March 27, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Sullivan County Infrastructure Local Development Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Sullivan County Infrastructure Local Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of The Sullivan County Infrastructure Local Development Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control that we consider to be a significant deficiency. We consider the deficiency described below to be a significant deficiency in internal control:

Management does not possess the necessary training required to prepare the financial statements in accordance with accounting principles generally accepted in the United States of America.

Management Response: The Corporation's accounting office has the knowledge and ability to post the ongoing day to day activity in accordance with the accrual basis of accounting. However, management feels that it would not be cost effective to take the necessary educational courses to be able to prepare the complete financial statements, including all required notes, in accordance with generally accepted accounting principles.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Sullivan County Infrastructure Local Development Corporation, New York's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Findings

The Sullivan County Infrastructure Local Development Corporation's response to the finding identified in our audit was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Mongaup Valley, New York
March 27, 2019