

**SERIAL BONDS  
NEW ISSUE**

**RATING: See "RATING" herein  
BOND ANTICIPATION NOTES**

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds and Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds and Notes is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel is also of the opinion that interest on the Bonds and Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds and Notes. See "Tax Matters" herein.*

The Bonds and Notes will not be "qualified tax-exempt obligations" pursuant to Section 265 (b)(3) of the Internal Revenue Code of 1986.

**COUNTY OF SULLIVAN, NEW YORK**  
**\$15,140,000\***  
**PUBLIC IMPROVEMENT (SERIAL) BONDS, 2018**  
**(the "Bonds")**

**Date of Issue: Date of Delivery**

**Maturity Dates: May 15, 2019 – 2038**

**and**

**\$3,870,000**  
**BOND ANTICIPATION NOTES, 2018**  
**(the "Notes")**

**Date of Issue: May 15, 2018**

**Maturity Date: May 15, 2019**

The Bonds and Notes are general obligations of the County of Sullivan, New York (the "County"), and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Bonds. All the taxable real property within the County will be subject to the levy of ad valorem taxes, subject to applicable statutory limitations. See "Nature of Obligation" and "Tax Levy Limitation Law" herein.

The Bonds will be issued in fully registered form, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as the securities depository for the Bonds. Individual purchases may be made in book-entry only form in the principal amount of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. Payment of the principal of and interest on the Bonds will be made by the County to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See "Book-Entry-Only System," herein.

The Bonds will be dated their Date of Delivery, will bear interest from such date payable November 15, 2018 and semiannually thereafter on May 15 and November 15 until maturity and will mature on the dates in the years and amounts as set forth on the inside cover page hereof. The Bonds are subject to optional redemption prior to maturity. (See "Optional Redemption" herein.)

At the option of the purchaser(s), the Notes will be issued in (i) certificated registered form registered in the name of the successful bidder(s) or (ii) registered book-entry-only form registered to Cede & Co., as the partnership nominee for The Depository Trust Company, New York, New York ("DTC").

If the Notes are issued registered in the name of the successful bidder(s), a single note certificate will be issued for those Notes bearing the same rate of interest in the aggregate principal amount awarded to such purchaser(s) at such interest rates(s). Principal of and interest on such Notes will be payable in federal funds by the County to the registered owner(s).

If the Notes are issued in book-entry-only form, such Notes will be delivered to DTC, which will act as securities depository for the Notes. Beneficial owners will not receive certificates representing their interest in the Notes. Individual purchases may be made in denominations of \$5,000 or integral multiples thereof. A single note certificate will be issued for those Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser(s) at such interest rate(s). Principal of and interest on said Notes will be paid in federal funds by the County to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to its participants for subsequent distribution to the beneficial owners of the Notes as described herein. Transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The County will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. (See "Book-Entry-Only System" herein.)

The Bonds and Notes are offered when, as and if issued and received by the purchaser(s) subject to the receipt of the respective final approving opinions of Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel. It is anticipated that the Bonds and Notes will be available for delivery through the facilities of DTC in Jersey City, New Jersey or as otherwise agreed with the purchaser(s) on or about May 15, 2018.

THIS OFFICIAL STATEMENT IS IN A FORM DEEMED FINAL BY THE COUNTY FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE") EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH THE RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE BONDS AND NOTES. FOR A DESCRIPTION OF THE COUNTY'S AGREEMENT TO PROVIDE NOTICE OF CERTAIN INFORMATION AS DESCRIBED IN THE RULE, SEE "DISCLOSURE UNDERTAKING FOR THE BONDS" AND "DISCLOSURE UNDERTAKING FOR THE NOTES," HEREIN.

Dated: April 20, 2018

\*Preliminary, subject to change.

The Bonds mature on May 15 in each year as set forth below:

<u>Year</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield Or Price</u>	<u>CUSIP Number</u>
2019	\$ 560,000			865270
2020	560,000			865270
2021	560,000			865270
2022	560,000			865270
2023	620,000			865270
2024	630,000			865270
2025	815,000			865270
2026	815,000			865270
2027	835,000			865270
2028	835,000			865270
2029	835,000			865270
2030	835,000			865270
2031	835,000			865270
2032	835,000			865270
2033	835,000			865270
2034	835,000			865270
2035	835,000			865270
2036	835,000			865270
2037	835,000			865270
2038	835,000			865270

\*The principal maturities of the Bonds are subject to adjustment following their sale pursuant to the terms of the accompanying Notice of Bond Sale with respect to premium.

**SULLIVAN COUNTY, NEW YORK**

**COUNTY LEGISLATURE**

**Luis Alvarez  
Chairman**

Scott B. Samuelson .....District 1  
Nadia Rajszyk .....District 2  
Mark McCarthy.....District 3  
Catherine Owens .....District 4  
Terri Ward.....District 5  
Luis Alvarez.....District 6  
Joseph Perrello .....District 7  
Ira M. Steingart .....District 8  
Alan J. Sorensen.....District 9

---

Joshua Potosek.....County Manager  
Nancy Buck..... County Treasurer  
Daniel L. Briggs.....County Clerk  
Cheryl A. McCausland.....County Attorney

---

**BOND COUNSEL**

**Orrick, Herrington & Sutcliffe LLP  
New York, New York**

---

**MUNICIPAL ADVISOR**



**Capital Markets Advisors, LLC  
Hudson Valley \* Long Island \* Southern Tier \* Western New York  
(845) 227-8678**

**THIS PAGE INTENTIONALLY LEFT BLANK**

No person has been authorized by the County of Sullivan, New York to give any information or to make any representations not contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds and Notes to any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information, estimates and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County of Sullivan since the date hereof.

**TABLE OF CONTENTS**

	<i>Page</i>		<i>Page</i>
THE BONDS .....	1	APPENDIX A - THE COUNTY	
Description of the Bonds .....	1	THE COUNTY .....	A-1
Authority for and Purpose of the Bonds .....	2	General Information .....	A-1
Optional Redemption .....	2	Form of Government .....	A-1
THE NOTES .....	2	Economic Development .....	A-1
Description of the Notes .....	2	Services .....	A-2
Authority for and Purpose of the Notes .....	3	Education .....	A-2
THE BONDS AND NOTES .....	3	Transportation .....	A-3
Book-Entry-Only System .....	3	Utilities .....	A-3
NATURE OF OBLIGATION .....	5	Waste Disposal .....	A-3
Tax Levy Limitation Law .....	6	Employees .....	A-3
SPECIAL PROVISIONS AFFECTING REMEDIES		Employee Benefits .....	A-4
UPON DEFAULT .....	7	Other Postemployment Benefits .....	A-5
MARKET FACTORS .....	10	FINANCIAL FACTORS .....	A-6
THE STATE COMPTROLLER’S FISCAL STRESS		Budgetary Procedure .....	A-6
MONITORING SYSTEM AND COMPLIANCE		Independent Audits .....	A-6
REVIEWS .....	11	Investment Policy .....	A-6
LITIGATION .....	12	Revenues .....	A-7
TAX MATTERS .....	12	Summary of FY Ended December 31, 2017 –	
LEGAL MATTERS .....	13	Unaudited Results .....	A-9
DISCLOSURE UNDERTAKINGS .....	13	REAL PROPERTY TAXES .....	A-10
Disclosure Undertaking for the Bonds .....	13	Real Property Taxes, Assessments and Rates .....	A-10
Disclosure Undertaking for the Notes .....	15	Tax Collection Procedures .....	A-10
MUNICIPAL ADVISOR .....	16	Constitutional Tax Margin .....	A-11
RATING .....	16	Ten of the Largest Taxpayers .....	A-11
ADDITIONAL INFORMATION .....	16	COUNTY INDEBTEDNESS .....	A-11
APPENDIX B - UNAUDITED SUMMARY OF FINANCIAL STATEMENTS AND BUDGETS		Constitutional Requirements .....	A-11
APPENDIX C - LINK TO INDEPENDENT AUDITORS’ REPORT THEREON FOR THE FISCAL YEAR		Statutory Procedure .....	A-12
ENDED DECEMBER 31, 2016		Constitutional Debt Contracting Limitation .....	A-13
APPENDIX D - FORMS OF BOND COUNSEL’S OPINIONS		Statutory Debt Limit and Net Indebtedness .....	A-14
		Tax Anticipation Notes .....	A-14
		Trend of Capital Debt .....	A-15
		Overlapping and Underlying Debt .....	A-15
		Debt Ratios .....	A-15
		Authorized and Unissued Debt .....	A-16
		Debt Service Schedule .....	A-16
		Outstanding County-Related Municipal Bond	
		Bank Agency Bonds .....	A-17
		Tobacco Asset Securitization Corporation .....	A-17
		Lease Debt .....	A-18
		ECONOMIC AND DEMOGRAPHIC DATA .....	A-18
		Population .....	A-18
		Income .....	A-19
		Employment .....	A-19
		Housing Data .....	A-20

**THIS PAGE INTENTIONALLY LEFT BLANK**

**OFFICIAL STATEMENT**

**COUNTY OF SULLIVAN  
NEW YORK**

**relating to**

**\$15,140,000\***  
**PUBLIC IMPROVEMENT (SERIAL) BONDS, 2018**  
**(the “Bonds”)**

**and**

**\$3,870,000**  
**BOND ANTICIPATION NOTES, 2018**  
**(the “Notes”)**

The material set forth herein, which includes the cover pages and appendices hereto, presents certain information relating to the County of Sullivan, New York (the “County” and “State,” respectively) in connection with the sale of the County’s \$15,140,000\* Public Improvement (Serial) Bonds, 2018 (the “Bonds”) and \$3,870,000 Bond Anticipation Notes, 2018 (the “Notes”).

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State and acts and proceedings of the County contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof, and all references to the Bonds and Notes and the proceedings of the County relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and Notes and such proceedings.

**THE BONDS**

***Description of the Bonds***

The Bonds will be dated their Date of Delivery, will bear interest from such date payable November 15, 2018 and semiannually thereafter on May 15 and November 15 until maturity and will mature on the dates in the years and amounts as set forth on the inside cover page hereof. The Bonds are subject to optional redemption prior to maturity. (See “Optional Redemption” herein).

The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository for the Bonds. Individual purchases may be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof. The Bonds may be transferred in the manner described on the Bonds and as referenced in certain proceedings of the County referred to therein.

THE RECORD DATE (THE “RECORD DATE”) FOR THE BONDS IS THE LAST BUSINESS DAY OF THE CALENDAR MONTH IMMEDIATELY PRECEDING EACH INTEREST PAYMENT DATE.

---

\*Preliminary, subject to change.

## ***Authority for and Purpose of the Bonds***

**Authorization.** The Bonds are issued pursuant to the Constitution and laws of the State, including the Local Finance Law, the County Charter and bond resolutions duly adopted by the County Legislature on May 19, 2016 and December 14, 2017. Certain details of the Bonds will be prescribed by certificates of the County Treasurer executed pursuant to powers delegated to her to fix terms, form and contents of the Bonds and to provide for the sale thereof.

**Purpose.** The Bonds are being issued for the completion of the jail facility complex, various bridges and the government center in and for the County as detailed below.

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount of The Bonds</u>
05-19-16	Jail Facility Complex	10,000,000
12-14-17	Bridges	4,000,000
12-14-17	Government Center	1,140,000
		<u>\$15,140,000</u>

## ***Optional Redemption***

**Call Provisions.** The Bonds maturing on or before May 15, 2026 will not be subject to redemption prior to maturity. The Bonds maturing on May 15, 2027, and thereafter, will be subject to redemption prior to maturity, at the option of the County, in whole or in part, and if in part, in any order of their maturity and in any amount within a maturity (selected by lot within a maturity) on any date on or after May 15, 2026 at par plus accrued interest to the redemption date.

**Notification Procedures.** If less than all of the Bonds of any maturity are to be redeemed, the particular bonds of such maturity to be redeemed shall be selected by lot in any customary manner of selection as determined by the County Treasurer of the County. Notice of such call for redemption shall be given by mailing such notice to the registered holder not more than sixty (60) days nor less than thirty (30) days prior to such date. Notice of redemption having been given as aforesaid, the bonds so called for redemption shall, on the date for redemption set forth in such call for redemption, become due and payable together with interest to such redemption date. Interest shall cease to be paid thereon after such redemption date (See "Book-Entry-Only System" for additional information concerning redemptions).

## **THE NOTES**

### ***Description of the Notes***

The Notes will be dated and will mature as reflected on the cover page hereof.

The Notes will not be subject to redemption prior to maturity. Interest will be calculated on a 30-day month and 360-day year basis, payable at maturity.

The Notes will be issued in registered form either registered in the name of the successful bidder(s) or registered to Cede & Co, as the partnership nominee for DTC. If the Notes are registered in the name of the successful bidder(s), the County will act as Paying Agent for the Notes. The County contact information is as follows: Nancy Buck, Treasurer, 100 North Street, P.O. Box 5012, Monticello, NY 12701, (845) 807-0210, e-mail: [Nancy.Buck@co.sullivan.ny.us](mailto:Nancy.Buck@co.sullivan.ny.us).



### ***Authority for and Purpose of the Notes***

**Authorization.** The Notes are issued pursuant to the Constitution and laws of the State, including the Local Finance Law and the County Charter and bond resolutions duly adopted by the County Legislature on December 14, 2017.

**Purpose.** The proceeds of the Notes will provide original financing for the projects listed below.

<u>Date Authorized</u>	<u>Original Issue Date</u>	<u>Purpose</u>	<u>Amount of The Notes</u>
12-14-17	05-15-18	Roads	\$3,200,000
12-14-17	05-15-18	Equipment	<u>670,000</u>
			<u><u>\$3,870,000</u></u>

### **THE BONDS AND NOTES**

#### ***Book-Entry-Only System***

If requested, the Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds and if so requested, for the Notes. The Bonds and if so requested, the Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond certificate will be issued for each maturity of the Bonds and will be deposited with DTC. One fully registered note certificate will be issued for the Notes bearing the same rate of interest and CUSIP and deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of the Bonds and Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds and Notes on DTC’s records. The ownership interest of each actual purchaser of each bond or note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds and Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds and Notes, except in the event that use of the book-entry system for the Bonds and Notes is discontinued.

To facilitate subsequent transfers, all Bonds and Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds and Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds and Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds and Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds and Notes unless authorized by a Direct Participant in accordance with DTC's Money Market Instruments (MMI) Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds and Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption notices shall be sent to DTC. If less than all of the Bonds and Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Principal and interest payments on the Bonds and Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds and Notes at any time by giving reasonable notice to the County. Under such circumstances, in the event that a successor depository is not obtained, bond and note certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond and note certificates will be printed and delivered as applicable.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

Source: The Depository Trust Company

THE INFORMATION CONTAINED IN THE ABOVE SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SAMPLE OFFERING DOCUMENT LANGUAGE SUPPLIED BY DTC, BUT THE COUNTY TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF. IN ADDITION, THE COUNTY WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO: (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANT OR ANY INDIRECT PARTICIPANT; (II) THE PAYMENTS BY DTC OR ANY PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON THE BONDS AND NOTES OR (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO OWNERS.

THE COUNTY CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS AND NOTES (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS AND NOTES (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE BONDS AND NOTES OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE BONDS AND NOTES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

THE COUNTY WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS AND NOTES; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS ; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE BONDS AND NOTES.

### **NATURE OF OBLIGATION**

Each Bond and Note, when duly issued and paid for, will constitute a contract between the County and the holder thereof.

Holders of any series of bonds or notes of the County may bring an action or commence a proceeding in accordance with the civil practice law and rules to enforce the rights of the holders of such series of notes or bonds.

The Bonds and Notes will be general obligations of the County and will contain a pledge of the faith and credit of the County for the payment of the principal thereof and the interest thereon as required by the Constitution and laws of the State. For the payment of such principal and interest, the County has power and statutory authorization to levy ad valorem taxes on all real property within the County, subject to applicable statutory limitations.

Although the State Legislature is restricted by Article VIII, Section 12 of the State Constitution from imposing limitations on the power to raise taxes to pay “interest on or principal of indebtedness theretofore contracted” prior to the effective date of any such legislation, the New York State Legislature may from time to time impose additional limitations or requirements on the ability to increase a real property tax levy or on the methodology, exclusions or other restrictions of various aspects of real property taxation (as well as on the ability to issue new indebtedness). On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the “Tax Levy Limitation Law”). The Tax Levy Limitation Law applies to local governments and school districts in the State (with certain exceptions) and imposes additional procedural requirements on the ability of municipalities and school districts to levy certain year-to-year increases in real property taxes.

Under the Constitution of the State, the County is required to pledge its faith and credit for the payment of the principal of and interest on the Bonds and Notes and is required to raise real estate taxes, and without specification, other revenues, if such levy is necessary to repay such indebtedness. While the Tax Levy Limitation Law imposes a statutory limitation on the County’s power to increase its annual tax levy with the amount of such increase limited by the formulas set forth in the Tax Levy Limitation Law, it also provides the procedural method to surmount that limitation. See “Tax Levy Limitation Law,” herein.

The Constitutionally-mandated general obligation pledge of municipalities and school districts in New York State has been interpreted by the Court of Appeals, the State’s highest court, in Flushing National Bank v. Municipal Assistance Corporation for the City of New York, 40 N.Y.2d 731 (1976), as follows:

“A pledge of the city’s faith and credit is both a commitment to pay and a commitment of the city’s revenue generating powers to produce the funds to pay. Hence, an obligation containing a pledge of the City’s “faith and credit” is secured by a promise both to pay and to use in good faith the city’s general revenue powers to produce sufficient funds to pay the principal and interest of the obligation as it becomes due. That is why both words, “faith” and “credit” are used and they are not tautological. That is what the words say and this is what the courts have held they mean...So, too, although the Legislature is given the duty to restrict municipalities in order to prevent abuses in taxation, assessment, and in contracting of indebtedness, it may not constrict the City’s power to levy taxes on real estate for the payment of interest on or principal of indebtedness previously contracted...While phrased in permissive language, these provisions, when read together with the requirement of the pledge and faith and credit, express a constitutional imperative: debt obligations must be paid, even if tax limits be exceeded”.

In addition, the Court of Appeals in the Flushing National Bank case has held that the payment of debt service on outstanding general obligation bonds and notes takes precedence over fiscal emergencies and the police power of political subdivisions in New York State.

The pledge has generally been understood as a promise to levy property taxes without limitation as to rate or amount to the extent necessary to cover debt service due to language in Article VIII Section 10 of the Constitution which provides an exclusion for debt service from Constitutional limitations on the amount of a real property tax levy, insuring the availability of the levy of property tax revenues to pay debt service. As the Flushing National Bank Court noted, the term “faith and credit” in its context is “not qualified in any way”. Indeed, in Flushing National Bank v. Municipal Assistance Corp., 40 N.Y.2d 1088 (1977), the Court of Appeals described the pledge as a direct constitutional mandate. In Quirk v. Municipal Assistance Corp., 41 N.Y.2d 644 (1977), the Court of Appeals stated that, while holders of general obligation debt did not have a right to particular revenues such as sales tax, “with respect to traditional real estate tax levies, the bondholders are constitutionally protected against an attempt by the State to deprive the city of those revenues to meet its obligations.” According to the Court in Quirk, the State Constitution “requires the city to raise real estate taxes, and without specification other revenues, if such a levy be necessary to repay indebtedness.”

In addition, the Constitution of the State requires that every county, city, town, village, and school district in the State provide annually by appropriation for the payment of all interest and principal on its serial bonds and certain other obligations, and that, if at any time the respective appropriating authorities shall fail to make such appropriation, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. In the event that an appropriating authority were to make an appropriation for debt service and then decline to expend it for that purpose, this provision would not apply. However, the Constitution of the State does also provide that the fiscal officer of any county, city, town, village, or school district may be required to set apart and apply such first revenues at the suit of any holder of any such obligations.

In Quirk v. Municipal Assistance Corp., the Court of Appeals described this as a “first lien” on revenues, but one that does not give holders a right to any particular revenues. It should thus be noted that the pledge of the faith and credit of a political subdivision in New York State is a pledge of an issuer of a general obligation bond or note to use its general revenue powers, including, but not limited to, its property tax levy to pay debt service on such obligations, but that such pledge may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues.

While the courts in New York State have historically been protective of the rights of holders of general obligation debt of political subdivisions, it is not possible to predict what a future court might hold.

### ***Tax Levy Limitation Law***

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (as amended, the “Tax Levy Limitation Law”). The Tax Levy Limitation Law applies to all local governments, including school districts (with the exception of New York City, the counties comprising New York City and school districts in New York City, Buffalo, Rochester, Syracuse and Yonkers, the latter four of which are affected indirectly by applicability to their respective city). It also applies to independent special districts and to town and county improvement districts as part of their parent municipalities tax levies.

The Tax Levy Limitation Law restricts, among other things, the amount of real property taxes (including assessments of certain special improvement districts) that may be levied by or on behalf of a municipality in a particular year, beginning with fiscal years commencing on or after January 1, 2012. As amended, the Tax Levy Limit Law expires on June 15, 2020 unless extended. Pursuant to the Tax Levy Limitation Law, the tax levy of a municipality cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the consumer price index ("CPI"), over the amount of the prior year's tax levy. Certain adjustments would be permitted for taxable real property full valuation increases due to changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A municipality may exceed the tax levy limitation for the coming fiscal year only if the governing body of such municipality first enacts, by at least a sixty percent vote of the total voting strength of the board, a local law (resolution in the case of fire districts and certain special districts) to override such limitation for such coming fiscal year only. There are permissible exceptions to the tax levy limitation provided in the Tax Levy Limitation Law, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees' Retirement System, the Police and Fire Retirement System, and the Teachers' Retirement System. Municipalities are also permitted to carry forward a certain portion of their unused levy limitation from a prior year. Each municipality prior to adoption of its fiscal year budget must submit for review to the State Comptroller any information that is necessary in the calculation of its tax levy for such fiscal year.

The Tax Levy Limitation Law does not contain an exception from the levy limitation for the payment of debt service on either outstanding general obligation debt of municipalities or such debt incurred after the effective date of the Tax Levy Limitation Law (June 24, 2011).

While the Tax Levy Limitation Law may constrict an issuer's power to levy real property taxes for the payment of debt service on debt contracted after the effective date of the Tax Levy Limitation Law, it is clear that no statute is able (1) to limit an issuer's pledge of its faith and credit to the payment of any of its general obligation indebtedness or (2) to limit an issuer's levy of real property taxes to pay debt service on general obligation debt contracted prior to the effective date of the Tax Levy Limitation Law. Whether the Constitution grants a municipality authority to treat debt service payments as a constitutional exception to such a statutory tax levy limitation is not clear.

### **SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT**

**General Municipal Law Contract Creditors' Provision.** Each Bond and Note, when duly issued and paid for, will constitute a contract between the County and the holder thereof. Under current law, provision is made for contract creditors of the County to enforce payments upon such contracts, if necessary, through court action. Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the County upon any judgment or accrued claim against it on an amount adjudged due to a creditor shall not exceed nine per centum per annum from the date due to the date of payment. This provision might be construed to have application to the holders of the Bonds and Notes in the event of a default in the payment of the principal of and interest on the Bonds and Notes.

**Execution/Attachment of Municipal Property.** As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment, although judicial mandates have been issued to officials to appropriate and pay judgments out of certain funds or the proceeds of a tax levy. In accordance with the general rule with respect to municipalities, judgments against the County may not be enforced by levy and execution against property owned by the County.

**Authority to File for Municipal Bankruptcy.** The Federal Bankruptcy Code allows public bodies, such as counties, cities and towns recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization for any municipality in the State or its emergency control board to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness.

The State has consented that any municipality in the State may file a petition with the United States District Court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness. Subject to such State consent, under the United States

Constitution, Congress has jurisdiction over such matters and has enacted amendments to the existing federal bankruptcy statute, being Chapter 9 thereof, generally to the effect and with the purpose of affording municipal corporations, under certain circumstances, with easier access to judicially approved adjustment of debt, including judicial control over identifiable and unidentifiable creditors.

No current state law purports to create any priority for holders of the Bonds and Notes should the County be under the jurisdiction of any court, pursuant to the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness.

The rights of the owners of Bonds and Notes to receive interest and principal from the County could be adversely affected by the restructuring of the County's debt under Chapter 9 of the Federal Bankruptcy Code. No assurance can be given that any priority of holders of debt obligations issued by the County (including the Bonds and Notes) to payment from monies retained in any debt service fund or from other cash resources would be recognized if a petition were filed by or on behalf of the County under the Federal Bankruptcy Code or pursuant to other subsequently enacted laws relating to creditors' rights; such monies might, under such circumstances, be paid to satisfy the claims of all creditors generally.

Under the Federal Bankruptcy Code, a petition may be filed in the Federal Bankruptcy court by a municipality which is insolvent or unable to meet its debts as they mature. Generally, the filing of such a petition operates as a stay of any proceeding to enforce a claim against the municipality. The Federal Bankruptcy Code also requires that a plan be filed for the adjustment of the municipality's debt, which may modify or alter the rights of creditors and which could be secured. Any plan of adjustment confirmed by the court must be approved by the requisite number of creditors. If confirmed by the bankruptcy court, the plan would be binding upon all creditors affected by it.

**State Debt Moratorium Law.** There are separate State law provisions regarding debt service moratoriums enacted into law in 1975.

At the Extraordinary Session of the State Legislature held in November, 1975, legislation was enacted which purported to suspend the right to commence or continue an action in any court to collect or enforce certain short-term obligations of The City of New York. The effect of such act was to create a three-year moratorium on actions to enforce the payment of such obligations. On November 19, 1976, the Court of Appeals, the State's highest court, declared such act to be invalid on the ground that it violates the provisions of the State Constitution requiring a pledge by such City of its faith and credit for the payment of obligations.

As a result of the Court of Appeals decision in Flushing National Bank v. Municipal Assistance Corporation for the City of New York, 40 N.Y.2d 731 (1976), the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law, as described below, enacted at the 1975 Extraordinary Session of the State legislature authorizing any county, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the County.

**Right of Municipality or State to Declare a Municipal Financial Emergency and Stay Claims Under State Debt Moratorium Law.** The State Legislature is authorized to declare by special act that a state of financial emergency exists in any county, city, town or village. (The provision does not by its terms apply to school districts or fire districts.) In addition, the State Legislature may authorize by special act establishment of an "emergency financial control board" for any county, city, town or village upon determination that such a state of financial emergency exists. Thereafter, unless such special act provides otherwise, a voluntary petition to stay claims may be filed by any such municipality (or by its emergency financial control board in the event said board requests the municipality to petition and the municipality fails to do so within five days thereafter). A petition filed in supreme court in the county in which the municipality is located in accordance with the requirements of Title 6-A of the Local Finance Law ("Title 6-A") effectively prohibits the doing of any act for ninety days in the payment of claims against the municipality, including payment of debt service on outstanding indebtedness.

This includes staying the commencement or continuation of any court proceedings seeking payment of debt service due, the assessment, levy or collection of taxes by or for the municipality or the application of any funds, property,

receivables or revenues of the municipality to the payment of debt service. The stay can be vacated under certain circumstances with provisions for the payment of amounts due or overdue upon a demand for payment in accordance with the statutory provisions set forth therein. The filing of a petition may be accompanied with a proposed repayment plan which, upon court order approving the plan, may extend any stay in the payment of claims against the municipality for such “additional period of time as is required to carry out fully all the terms and provisions of the plan with respect to those creditors who accept the plan or any benefits thereunder.” Court approval is conditioned, after a hearing, upon certain findings as provided in Title 6-A.

A proposed plan can be modified prior to court approval or disapproval. After approval, modification is not permissible without court order after a hearing. If not approved, the proposed plan must be amended within ten days or else the stay is vacated and claims, including debt service due or overdue, must be paid. It is at the discretion of the court to permit additional filings of amended plans and continuation of any stay during such time. A stay may be vacated or modified by the court upon motion of any creditor if the court finds after a hearing that the municipality has failed to comply with a material provision of an accepted repayment plan or that due to a “material change in circumstances” the repayment plan is no longer in compliance with statutory requirements.

Once an approved repayment plan has been completed, the court, after a hearing upon motion of any creditor, or a motion of the municipality or its emergency financial control board, will enter an order vacating any stay then in effect and enjoining of creditors who accepted the plan or any benefits thereunder from commencing or continuing any court action, proceeding or other act described in Title 6-A relating to any debt included in the plan.

Title 6-A requires notice to all creditors of each material step in the proceedings. Court determinations adverse to the municipality or its financial emergency control board are appealable as of right to the appellate division in the judicial department in which the court is located and thereafter, if necessary, to the Court of Appeals. Such appeals stay the judgment or appealed from and all other actions, special proceedings or acts within the scope of Section 85.30 of Title 6-A pending the hearing and determination of the appeals.

Whether Title 6-A is valid under the Constitutional provisions regarding the payment of debt service is not known. However, based upon the decision in the Flushing National Bank case described above, its validity is subject to doubt.

While the State Legislature has from time to time adopted legislation in response to a municipal fiscal emergency and established public benefit corporations with a broad range of financial control and oversight powers to oversee such municipalities, generally such legislation has provided that the provisions of Title 6-A are not applicable during any period of time that such a public benefit corporation has outstanding indebtedness issued on behalf of such municipality.

**Fiscal Stress and State Emergency Financial Control Boards.** Pursuant to Article IX Section 2(b)(2) of the State Constitution, any local government in the State may request the intervention of the State in its “property, affairs and government” by a two-thirds vote of the total membership of its legislative body or on request of its chief executive officer concurred in by a majority of such membership. This has resulted in the adoption of special acts for the establishment of public benefit corporations with varying degrees of authority to control the finances (including debt issuance) of the cities of Buffalo, Troy and Yonkers and the County of Nassau. The specific authority, powers and composition of the financial control boards established by these acts varies based upon circumstances and needs. Generally, the State legislature has granted such boards the power to approve or disapprove budget and financial plans and to issue debt on behalf of the municipality, as well as to impose wage and/or hiring freezes and approve collective bargaining agreements in certain cases. Implementation is left to the discretion of the board of the public benefit corporation. Such a State financial control board was first established for New York City in 1975. In addition, on a certificate of necessity of the governor reciting facts which in the judgment of governor constitute an emergency requiring enactment of such laws, with the concurrences of two-thirds of the members elected in each house of the State legislature, the State is authorized to intervene in the “property, affairs and governments” of local government units. This occurred in the case of the County of Erie in 2005. The authority of the State to intervene in the financial affairs of local government is further supported by Article VIII, Section 12 of the Constitution, which declares it to be the duty of the State legislature to restrict, subject to other provisions of the Constitution, the power of taxation, assessment, borrowing money and contracting indebtedness and loaning the credit of counties, cities, towns and villages so as to prevent abuses in taxation and assessment and in contracting indebtedness by them.

In 2013, the State established a new state advisory board to assist counties, cities, towns and villages in financial distress. The Financial Restructuring Board for Local Governments (the “FRB”), is authorized to conduct a comprehensive review of the finances and operations of any such municipality deemed by the FRB to be fiscally eligible for its services upon request by resolution of the municipal legislative body and concurrence of its chief executive. The FRB is authorized to make recommendations for, but cannot compel improvement of fiscal stability, management and delivery of municipal services, including shared services opportunities and is authorized to offer grants and/or loans of up to \$5,000,000 through a Local Government Performance and Efficiency Program to undertake certain recommendations. If a municipality agrees to undertake the FRB recommendations, it will be automatically bound to fulfill the terms in order to receive the aid.

The FRB is also authorized to serve as an alternative arbitration panel for binding arbitration.

Although from time to time there have been proposals for the creation of a statewide financial control board with broad authority over local governments in the State, the FRB does not have emergency financial control board powers to intervene, such as the public benefit corporations established by special acts as described above.

Several municipalities in the State are presently working with the FRB. The County has not applied to the FRB and does not reasonably expect to do so in the foreseeable future. School districts and fire districts are not eligible for FRB assistance.

**Constitutional Non-Appropriation Provision.** There is in the Constitution of the State, Article VIII, Section 2, the following provision relating to the annual appropriation of monies for the payment of due principal of and interest on indebtedness of every county, city, town, village and school district in the State: “If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness.” This constitutes a specific non-exclusive constitutional remedy against a defaulting municipality or school district; however, it does not apply in a context in which monies have been appropriated for debt service, but the appropriating authorities decline to use such monies to pay debt service. However, Article VIII, Section 2 of the Constitution of the State also provides that the fiscal officer of any county, city, town, village or school district may be required to set apart and apply such revenues at the suit of any holder of any obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision. See “General Municipal Law Contract Creditors’ Provision” herein.

The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

**Default Litigation.** In prior years, certain events and legislation affecting a holder’s remedies upon default have resulted in litigation. While courts of final jurisdiction have upheld and sustained the rights of noteholders and bondholders, such courts might hold that future events including financial crises as they may occur in the State and in political subdivisions of the State, require the exercise by the State or its political subdivisions of emergency and police powers to assure the continuation of essential public services prior to the payment of debt service. See “Nature of Obligation” and “State Debt Moratorium Law” herein.

**No Past Due Debt.** No principal of or interest on County indebtedness is past due. The County has never defaulted in the payment of the principal of and interest on any indebtedness.

## **MARKET FACTORS**

The financial and economic condition of the County as well as the market for the Bonds and Notes could be affected by a variety of factors, some of which are beyond the County’s control. There can be no assurance that adverse events in the State and in other jurisdictions, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Bonds and Notes. If a significant default or other financial crisis should occur in the affairs of the State or another jurisdiction or any of its agencies or political subdivisions thereby



further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the County to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Bonds and Notes, could be adversely affected.

There can be no assurance that the State appropriation for State aid to the County will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid appropriated and apportioned to the County can be paid only if the State has such monies available therefor. The availability of such monies and the timeliness of such payment may also be affected by a delay in the adoption of the State budget and other circumstances, including State fiscal stress. In any event, State aid appropriated and apportioned to the County can be paid only if the State has such monies available therefor. (See "State Aid" herein).

Should the County fail to receive monies expected from the State in the amounts and at the times expected, the County is permitted to issue revenue anticipation notes in anticipation of the receipt of delayed State aid.

If and when a holder of any of the Bonds or Notes should elect to sell a Bond or Note prior to its maturity, there can be no assurance that a market shall have been established, maintained and be in existence for the purchase and sale of any of the Bonds or Notes. In addition, the price and principal value of the Bonds or Notes is dependent on the prevailing level of interest rates; if interest rates rise, the price of a bond or note will decline, causing the bondholder or noteholder to incur a potential capital loss if such bond or note is sold prior to its maturity.

Amendments to the U.S. Internal Revenue Code could reduce or eliminate the favorable tax treatment granted to municipal debt, including the Bonds and Notes and other debt issued by the County. Any such future legislation could have an adverse effect on the market value of the Bonds and Notes (See "Tax Matters" herein).

The enactment of Chapter 97 of the Laws of 2011 on June 24, 2011, which imposes a tax levy limitation upon municipalities, including the County, school districts, and fire districts in the State could have an impact upon operations of the County and as a result, the market price for the Bonds or Notes. (See "Tax Levy Limit Law," herein.)

## **THE STATE COMPTROLLER'S FISCAL STRESS MONITORING SYSTEM AND COMPLIANCE REVIEWS**

The New York State Comptroller has reported that New York State's school districts and municipalities are facing significant fiscal challenges. As a result, the Office of the State Comptroller ("OSC") has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent, objectively measured and quantifiable information to school district and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State's school districts and municipalities are operating.

The fiscal stress scores are based on financial information submitted as part of each school district's ST-3 report filed with the State Education Department annually, and each municipality's annual report filed with the State Comptroller. Using financial indicators that include year-end fund balance, cash position and patterns of operating deficits, the system creates an overall fiscal stress score which classifies whether a school district or municipality is in "significant fiscal stress", in "moderate fiscal stress," as "susceptible to fiscal stress" or "no designation". Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of "no designation." This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity's financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

The most current applicable report, for 2016 data, of the State Comptroller designates the County as "No Designation" with a fiscal score of 22.5% and an environmental score of 16.7%.

See the State Comptroller's official website for more information on FSMS. Reference to this website implies no warranty of accuracy of information therein.

The financial affairs of the County are subject to periodic compliance reviews by OSC to ascertain whether the County has complied with the requirements of various State and federal statutes. The last audit conducted by OSC was released on November 22, 2017. The purpose of the audit was to review the controls over the County's timekeeping system for the period January 1, 2015 through October 25, 2016. The complete report can be obtained from OSC's website.

## **LITIGATION**

The County is subject to a number of lawsuits in the ordinary conduct of its affairs. The County does not believe, however, that such suits, individually or in the aggregate, are likely to have a material adverse effect on the financial condition of the County. It should be noted the County has significant insurance, above a self insured retention, for most suits.

The County may be impacted in numerous pending tax certiorari proceedings, the results of which cannot be determined at this time. In any event, the Local Finance Law authorizes financing any such adverse determinations.

For the year 2017, the County refunded the total sum of \$588,646 for tax certiorari settlements (\$160,791 Towns; \$427,855 County). The County amount includes a New York City settlement in March of 2017 totaling \$300,664. For the year 2018 to date, the County has refunded \$32,578 for tax certiorari settlements.

There is no action, suit, proceedings or investigation, at law or in equity, before or by any court, public board or body pending or, to the best knowledge of the County, threatened against or affecting the County to restrain or enjoin the issuance, sale or delivery of the Bonds and Notes or the levy and collection of taxes or assessments to pay same, or in any way contesting or affecting the validity of the Bonds and Notes or any proceedings or authority of the County taken with respect to the authorization, issuance or sale of the Bonds and Notes or contesting the corporate existence or boundaries of the County.

## **TAX MATTERS**

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds and Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel is of the further opinion that interest on the Bonds and Notes is not a specific preference item for purposes of the federal individual alternative minimum tax. A complete copy of the proposed forms of opinions of Bond Counsel are set forth in Appendix D hereto.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds and Notes. The County has covenanted to comply with certain restrictions designed to insure that interest on the Bonds and Notes will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds and Notes being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds and Notes. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds and Notes may adversely affect the value of, or the tax status of interest on, the Bonds and Notes. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Bonds and Notes.

Certain requirements and procedures contained or referred to in the Arbitrage Certificate, and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Bonds and Notes) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Bonds and Notes or the interest thereon if any such change occurs or action is taken or omitted.

Although Bond Counsel is of the opinion that interest on the Bonds and Notes is excluded from gross income for federal income tax purposes and is exempt from income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York), the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds and Notes may otherwise affect an Owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Owner or the Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds and Notes to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, certain legislative proposals in recent years have been made that would limit the exclusion from gross income of interest on obligations like the Bonds and Notes to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds and Notes. Tax reform legislation is presently under consideration in Congress.

Prospective purchasers of the Bonds and Notes should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

## **LEGAL MATTERS**

Legal matters incident to the authorization, issuance and sale of the Bonds and Notes are subject to the respective approving legal opinions of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Bond Counsel's respective opinions will be in substantially the forms attached hereto as Appendix D.

## **DISCLOSURE UNDERTAKINGS**

### ***Disclosure Undertaking for the Bonds***

This Official Statement is in a form "deemed final" by the County for the purposes of Securities and Exchange Commission Rule 15c2-12 (the "Rule"). At the time of the delivery of the Bonds, the County will provide an executed copy of its undertaking to provide continuing disclosure certificate (the "Undertaking"). Said Undertaking will constitute a written agreement or contract of the County for the benefit of holders of and owners of beneficial interests in the Bonds. In accordance with the requirements of Rule 15c2-12, as the same may be amended or officially interpreted from time to time (the "Rule"), promulgated by the Securities and Exchange Commission (the "Commission"), the County has agreed to provide, or cause to be provided,

(1) to the Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, during each fiscal year in which the Bonds are outstanding, (i) certain annual financial information and operating data for the preceding fiscal year in a form generally consistent with the information contained or cross-referenced in the final Official Statement anticipated to be dated May 1, 2018 of the County relating to the Bonds under the headings "Litigation" and in Appendix A under the headings "The County", "Financial Factors", "Real Property Taxes", "County Indebtedness" and "Economic and Demographic Data" and Appendix B by the end of the sixth month following the end of each succeeding fiscal year, commencing with the fiscal year ended December 31, 2017, and (ii) a copy of the audited financial statement, if any, (prepared in accordance with accounting principles generally accepted in the United States of America in effect at the time of the audit) for the preceding fiscal year, commencing with the fiscal year ended December 31, 2017; such audit (prepared in accordance with the accounting principles the County may be required to employ pursuant to State law or regulation), if any, will be so provided on or prior to the later of either the end of the sixth month of each such succeeding fiscal year or, if an audited financial statement is not available at that time, within sixty days following receipt by the County of its audited financial statement for the preceding fiscal year, but, in any event, not later than

the last business day of each such succeeding fiscal year; and provided further, in the event that the audited financial statement for any fiscal year is not available by the end of the sixth month following the end of any such succeeding fiscal year, unaudited financial statements in the form provided to the State, if available, will be provided no later than said date; provided however, that provision of unaudited financial statements in any year shall be further conditioned upon a determination by the County of whether such provision is compliant with the requirements of federal securities laws including Rule 10b-5 of the Securities Exchange Act of 1934 and Rule 17(a)(2) of the Securities Act of 1933;

(2) timely notice, not in excess of ten (10) business days after the occurrence of such event, of the occurrence of any of the following events:

(i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (vii) modifications to rights of Bondholders, if material; (viii) Bond calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Bonds, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of the County; (xiii) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Event (iii) is included pursuant to a letter for the SEC staff to the National Association of Bond Lawyers dated September 19, 1995. However, event (iii) is not applicable, since no “debt service reserves” will be established for the Bonds.

With respect to event (iv) the County does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Bonds.

With respect to event (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the County in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the County, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County.

The County may provide notice of the occurrence of certain other events, in addition to those listed above, if it determines that any such other event is material with respect to the Bonds; but the County does not undertake to commit to provide any such notice of the occurrence of any event except those events listed above; and

(3) in a timely manner, notice of a failure to provide the annual financial information and operating data and such audited financial statement by the date specified.

The County’s Undertaking shall remain in full force and effect until such time as the principal of, redemption premiums, if any, and interest on the Bonds shall have been paid in full or in the event that those portions of the Securities and Exchange Commission Rule 15c2-12 (“Rule 15c2-12”) which require the Undertaking, or such provision, as the case may be, do not or no longer apply to the Bonds. The sole and exclusive remedy for breach or default under the Undertaking is an action to compel specific performance of the undertakings of the County, and no person or entity, including a Holder of the Bonds, shall be entitled to recover monetary damages thereunder under any circumstances. Any failure by the County to comply with the Undertaking will not constitute a default with respect to the Bonds.

The County reserves the right to amend or modify the Undertaking under certain circumstances set forth therein; provided that any such amendment or modification will be done in consultation with nationally recognized bond counsel in a manner consistent with Rule 15c2-12, as amended.

### ***Disclosure Undertaking for the Notes***

This Official Statement is in a form “deemed final” by the County for the purposes of Securities and Exchange Commission Rule 15c2-12 (the “Rule”). At the time of the delivery of the Notes, the County will provide an executed copy of its “Undertaking to Provide Notice of Certain Material Events” (the “Undertaking”). Said Undertaking will constitute a written agreement or contract of the County for the benefit of holders of and owners of beneficial interests in the Notes, to provide, or cause to be provided, timely notice not in excess of ten (10) business days after the occurrence of any of the following events with respect to the Notes:

- (i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes; (vii) modifications to rights of Noteholders, if material; (viii) Note calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Notes, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of the County; (xiii) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Event (iii) is included pursuant to a letter from the SEC staff to the National Association of Bond Lawyers dated September 19, 1995. However, event (iii) is not applicable, since no “debt service reserves” will be established for the Notes.

With respect to event (iv) the County does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Notes.

With respect to event (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the County in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the County, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County.

The County may provide notice of the occurrence of certain other events, in addition to those listed above, if it determines that any such other event is material with respect to the Notes; but the County does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

The County’s Undertaking shall remain in full force and effect until such time as the principal of, redemption premiums, if any, and interest on the Notes shall have been paid in full. The sole and exclusive remedy for breach or default under the Undertaking is an action to compel specific performance of the undertakings of the County, and no person or entity, including a holder of the Notes, shall be entitled to recover monetary damages thereunder under any circumstances. Any failure by the County to comply with the Undertaking will not constitute a default with respect to the Notes.

The County reserves the right to amend or modify the Undertaking under certain circumstances set forth therein; provided that, any such amendment or modification will be done in consultation with nationally recognized bond counsel in a manner consistent with Rule 15c2-12 as then in effect.

### **MUNICIPAL ADVISOR**

Capital Markets Advisors, LLC, Hopewell Junction, New York, (the “Municipal Advisor”) is an independent municipal advisor registered with the United States Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor has served as the independent financial advisor to the County in connection with this transaction.

In preparing the Official Statement, the Municipal Advisor has relied upon governmental officials, and other sources, who have access to relevant data to provide accurate information for the Official Statement. The Municipal Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Municipal Advisor is not a public accounting firm and has not been engaged by the County to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Municipal Advisor is not a law firm and does not provide legal advice with respect to this or any debt offerings of the County. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Bonds and Notes.

### **RATING**

The County has applied to S&P Global Ratings (“S&P”) for a rating of the Bonds and Notes. Such application is pending at this time.

The County’s underlying rating by S&P is currently “AA.”

Such rating reflects only the view of such organization and an explanation of the significance of such rating may be obtained from such rating agency as follows: S&P Global Ratings, 55 Water Street – 40<sup>th</sup> Floor, New York, NY 10041. There is no assurance that such rating will continue for any given period of time or that one or the other or all will not be revised downward or withdrawn entirely by the rating agency that issued it, if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of any such rating may have an effect on the market price of the Bonds and Notes.

### **ADDITIONAL INFORMATION**

Additional information may be obtained from Nancy Buck, Treasurer, County of Sullivan, 100 North Street, P.O. Box 5012, Monticello, NY 12701, (845) 807-0210, e-mail: [Nancy.Buck@co.sullivan.ny.us](mailto:Nancy.Buck@co.sullivan.ny.us) or from the County’s Municipal Advisor, Capital Markets Advisors, LLC, 1075 Route 82 – Suite 4, Hopewell Junction, New York, 12533, (845) 227-8678.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. This Official Statement is not to be construed as a contract or agreement between the County and the original purchasers or holders of any of the Bonds and Notes.

Statements in the Official Statement, and the documents included by specific reference, that are not historical facts are “forward-looking statements”, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the Private Securities Litigation Reform Act of 1995, which involve a number of risks and uncertainties, and which are based on the County management’s beliefs as well as assumptions made by, and information currently available to the County’s management and staff. Because the statements are based on expectations about future events and economic

performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the County's files with the MSRB. When used in County documents or oral presentations, the words "anticipate," "believe," "intend," "plan," "foresee," "likely," "estimate," "expect," "objective," "projection," "forecast," "goal," "will," or "should," or similar words or phrases are intended to identify forward-looking statements.

To the extent any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holder of the Bonds and Notes.

Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel to the County, expresses no opinion as to the accuracy or completeness of information in any documents prepared by or on behalf of the County for use in connection with the offer and sale of the Bonds and Notes, including but not limited to, the financial or statistical information in this Official Statement.

References herein to the Constitution of the State and various State and federal laws are only brief outlines of certain provisions thereof and do not purport to summarize or describe all of such provisions.

Concurrently with the delivery of the Bonds and Notes, the County will furnish a certificate to the effect that as of the date of the Official Statement, the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, subject to limitation as to information in the Official Statement obtained from sources other than the County, as to which no representation can be made.

Capital Markets Advisors, LLC may place a copy of this Official Statement on its website at [www.capmark.org](http://www.capmark.org). Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Capital Markets Advisors, LLC has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the County nor Capital Markets Advisors, LLC assumes any liability or responsibility for errors or omissions on such website. Further, Capital Markets Advisors, LLC and the County disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. Capital Markets Advisors, LLC and the County also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

This Official Statement is submitted only in connection with the sale of the Bonds and Notes by the County and may not be reproduced or used in whole or in part for any other purpose.

COUNTY OF SULLIVAN, NEW YORK

By: \_\_\_\_\_  
Nancy A. Buck  
County Treasurer

DATED: April 20, 2018

**THIS PAGE INTENTIONALLY LEFT BLANK**



**APPENDIX A**

**THE COUNTY**

**THIS PAGE INTENTIONALLY LEFT BLANK**

## **THE COUNTY**

### ***General Information***

The County was explored by the Dutch in the mid 1600's and was originally a part of Ulster County until 1809 when the County was created by a special act of the State Legislature.

The County consists of 1,011 square miles in the southeastern corner of the State bordering the State of Pennsylvania along the Delaware River. The County is approximately 70 miles from New York City. The County is rural in nature with wide open spaces and natural landscapes. Approximately 85% of the County's land is classified as woodlands, wetlands and watershed for the New York City reservoir system. Farms may be found throughout the County especially in the areas west of Monticello and play a significant role in the economy of the County. Economic development efforts to diversify the County's economy have met with some success particularly in the areas of financial services and health care.

Population in the County grew rapidly from 40,731 persons in 1950 to an estimated 75,818 persons in 2016. The wealth indices for County residents are below State averages largely due to the influence of Metropolitan New York on State wide statistics. However, the indicators of wealth for the County are generally comparable to areas of the State outside the New York City region and exceed many of the State's other rural counties.

### ***Form of Government***

On January 1, 1996, the Sullivan County Legislature replaced the County Board of Supervisors as the main policy-making body of the County. The County now operates under a Charter form of government, which allows the local community to have more control over certain governmental issues. Among other changes effectuated by the Charter, the County Administrator position was changed to a County Manager position.

The County Manager is the chief executive officer of the County and is appointed. The County Treasurer, elected for a four-year term, is the chief fiscal officer of the County who maintains the fiscal records and is responsible for depositing and disbursing all County funds.

The County Legislature is made up of nine individuals, one chosen from each district that was established by the Optional Forms of Government Committee. Each Legislator has one vote representing a separate legislative district. Districts were determined by dividing the County on the basis of population. Each Legislator serves a four-year term.

The County Legislature meets at both regular and special meetings throughout the year. The County Legislature reviews and adopts the annual County budget, levies taxes, reviews and approves any modifications to the budget, and authorizes the incurrence of all indebtedness of the County. The County Manager is the Budget officer and is appointed by the County Legislature. The County Treasurer is the elected chief fiscal officer of the County.

### ***Economic Development***

The County's primary economic base is tourism. Located in the Catskill Mountain area are numerous tourist accommodations offering recreational facilities. The County is a favorite vacation spot, especially for residents of the New York City Metropolitan area. Tourism remains an important part of the economy of the County. Eco-tourism activities which includes sightseeing, camping and arts and cultural activities have become particularly popular in the County. The Bethel Woods Performing Arts Center (BPAC) provides residents and visitors with improved campgrounds and music festivals with well known performers who bring and influx of visitors to the area.

In February 2018, Empire Resorts opened Resorts World Catskills, a \$920 million, 1.6-million-square-foot hotel and casino on the grounds of the legendary Concord Hotel in the Town of Thompson. The 1,400-employee entertainment complex features more than 150 table games, 2,150 slot machines and 10 different restaurants and bars. The casino and hotel are the anchors of a \$1.2 billion development project that, once completed, is also expected to include additional hotels, a waterpark and golf course.

The second major addition to the Resorts World Catskills campus is the \$150 million Kartrite Hotel and Indoor Waterpark, which is currently under construction and expected to be open in early 2019. The Kartrite Waterpark will feature two acres of four-season indoor waterpark space and a luxury hotel with 324 guest suites. The Kartrite will feature multiple innovative restaurants, a relaxing spa, a ropes course and an arcade. This added attraction is expected to add employment for an additional 600 people. The new project is owned by the owners of the Poconos' award winning Camelback Lodge & Aquatopia Indoor Waterpark located in Tannersville, Pa.

Driven by Resorts World Catskills' casino, Sullivan County's employment tally rose to 27,400 jobs in February 2018, up 1,900 jobs (7.5%) from February 2017. This is the highest number of non-farm jobs in February than in any off-season month since the State began using its current tracking method in 1990, according to the NYS Department of Labor.

According to the Sullivan County Partnership, a nonprofit promoting economic growth in Sullivan County, by the end of the 2019, Sullivan County will have added at least 3,000 new jobs and \$2 billion in commercial development. This increase in jobs has also brought a surge in the County's housing market and several large housing developments are currently in the planning stages.

Another project driving the County's growth is the planned \$90 million, 290,000-square-foot Yo1 Wellness Center, which is scheduled to open in the summer of 2018. YO1 (or Yauvan) means 'youth' in Sanskrit. The concept of the wellness center is to take their guests back to their youthful self, regardless of age. The Wellness Center overlooking Bailey Lake boasts 131 guest rooms and many other features which occupy the six-story structure, including 36 massage rooms, a grand yoga room and separate yoga rooms, an outdoor amphitheater. The amphitheater will include a place for outdoor yoga, meditation or exercises in natural surroundings. One of the main tenets they will use is 'Ayurveda,' a 5,000-year-old system of holistic healing.

Funding allocated through the United States Department of Agriculture's (USDA) Rural Business Development Grant program in the amount of \$509,642 has been awarded to the County of Sullivan Industrial Development Agency (IDA). Specifically, \$314,420 will go to Catskill Brewery to help them further their expansion, creating seven jobs and growing the demand for locally sourced hops and grains. The remaining \$195,222 will be used for improvements at the Goodness Grainless Bakery, which produces gluten-free, nut-free, and allergen-free products, growing the demand for locally sourced produce and creating five new jobs.

## ***Services***

Residents of the County receive a full range of services from County government including: higher education (Sullivan Community College); social and public health services (free immunizations, medical advice, therapeutic services to name a few); highway maintenance and improvements; police protection and law enforcement; corrections (County Jail); solid waste management (County landfill); and tax collection and enforcement; parks and recreation; planning and development; emergency preparedness; and, consumer protection.

## ***Education***

The County sponsors a two-year community college, Sullivan Community College (the "College") which is a part of the State University of New York system. The College is located in Loch Sheldrake and offers associate degrees in various areas of study. There are various colleges, with undergraduate and graduate programs, located within a fifty mile radius of the County including the State University at New Paltz in adjacent Ulster County.

The College first offered classes in 1963. This College presently offers four main programs of study leading to associate degrees in arts, science, applied science and a one-year certificate. Capital costs for improvements are shared by the County and the State; operating costs are financed by student tuition and fees, State aid and contributions from the County.

The County's contributions to the College, which is evaluated yearly by the County, is shown below:

Community College Fiscal Year Ended August 31:	County's Contribution Amount
2014	4,000,000
2015	4,000,000
2016	4,300,000
2017	4,300,000
2018	4,300,000

***Transportation***

The County is served by a network of U.S., State and County highways including U.S. 209 and State 17 (to be designated as Interstate 86). State Route 17 intersects I-84 and I-87 (the State Thruway) at locations in Orange County south of the County. Other State highways in the County are routes: 42, 52, 55 and 97. Air transportation is available at the County airport, which has a 6,300 foot runway with instrument landing capability. Charter service, fuel, training and aircraft maintenance are available at the airport. Commercial airline service is available at Stewart International Airport in Newburgh, New York in Orange County. Access to Conrail freight service is available along the western part of the County.

***Utilities***

Electric power is provided by New York State Electric and Gas Company, Consolidated Edison and Central Hudson Gas and Electric Corp. Local telephone service is provided by Verizon and Citizens Telephone Company. County officials are studying ways to provide natural gas service to the County.

***Waste Disposal***

Electric power is provided by New York State Electric and Gas Company, Consolidated Edison and Central Hudson Gas and Electric Corp. Local telephone service is provided by Verizon and Citizens Telephone Company. County officials are studying ways to provide natural gas service to the County.

***Employees***

The County provides services through approximately 1,089 full-time and part-time employees. Some of these employees are represented by the following collective bargaining units:

Number of Employees Represented	Union	Date of Expiration Current Contract
543	Teamsters (County)	12-31-17*
122	LIU (DPW)	12-31-17*
12	Teamsters (DPW-Supervisors)	12-31-17*
56	NYS Nurses	12-31-17*
107	CSEA Sheriff Corrections	12-31-12*
50	SCPBA Sheriff Patrol	12-31-17*

\*In negotiation.  
Source: County officials.

## ***Employee Benefits***

Substantially all employees of the City are members of the New York State and Local Employees Retirement System (“ERS” or the “Retirement System”). The Retirement System is a cost-sharing multiple public employer retirement system. The obligation of employers and employees to contribute and the benefits to employees are governed by the New York State Retirement and Social Security Law (the “Retirement System Law”). The Retirement System offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after five years of credited service, except for members hired on or after January 1, 2010 whose benefits vest after ten years of credited service. The Retirement System Law generally provides that all participating employers in the Retirement System are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement System. The Retirement System is non-contributory with respect to members hired prior to July 27, 1976. All members hired on or after July 27, 1976 through and including December 31, 2009, must contribute three percent of their gross annual salary toward the costs of retirement programs until they attain ten years in the Retirement System, at such time contributions become voluntary. Members hired on or after January 1, 2010 must contribute three or more percent of their gross annual salary toward the costs of retirement programs for the duration of their employment.

Additionally, on March 16, 2012, the Governor signed into law the new Tier 6 pension program, effective for new ERS employees hired after April 1, 2012. The Tier 6 legislation provides, among other things, for increased employee contribution rates of between 3% and 6%, an increase in the retirement age from 62 years to 63 years, a readjustment of the pension multiplier, and a change in the time period for final average salary calculation from 3 years to 5 years. Tier 6 employees will vest in the system after ten years of employment and will continue to make employee pension contributions throughout employment.

Beginning July 1, 2013, a voluntary defined contribution plan option was made available to all unrepresented employees of New York State public employers hired on or after that date, and who earn \$75,000 or more on an annual basis.

The New York State Retirement System allows municipalities to make employer contribution payments in December of each year, at a discount, or the following February, as required.

Due to significant capital market declines in 2008 and 2009, the State's Retirement System portfolio experienced negative investment performance and severe downward trends in market earnings. As a result of the foregoing, the employer contributions for the State's Retirement System continue to be higher than the minimum contribution rate established by Chapter 49. Legislation was enacted that permits local governments and school districts to borrow a portion of their required payments from the State pension plan at an interest rate of 5%. The legislation also requires those local governments and school districts that amortize their pension obligations pursuant to the regulation to establish reserve accounts to fund payment increases that are a result of fluctuations in pension plan performance. The County amortized pension payments in 2013 through 2016 as shown below, but does not expect to amortize future pension payments.

In Spring 2013, the State and ERS approved a Stable Contribution Option (“SCO”), which modified its existing SCO adopted in 2010, that gives municipalities the ability to better manage spikes in Actuarially Required Contribution rates (“ARCs”). The plan allows municipalities to pay the SCO amount in lieu of the ARC amount. The County will not be participating in the SCO plan at this time; however, the County has the option to do so in future years in accordance with existing legislation.

For State Fiscal Year 2016-17, the average contribution rates for ERS decreased for the third year in a row. ERS decreased by 2.7% of payroll, from 18.2% to 15.5%. For the State Fiscal Years 2017-18 the contribution rate for ERS remains unchanged at the 2016-17 level. Projections of required contributions will vary by employer depending on factors such as retirement plans, salaries and the distribution of their employees among the six retirement tiers.

**Pension Contribution Amortization.** Chapter 57 of the Laws of 2010 (Part TT) amended the Retirement and Social Security Law to authorize participating local government employers, if they so elect, to amortize an eligible portion of their annual required contributions to ERS, when employer contribution rates rise above certain levels. The option to amortize the eligible portion began with the annual contribution due February 1, 2011. The amortizable portion of an annual required contribution is based on a “graded” rate by the State Comptroller in accordance with formulas provided in Chapter 57. Amortized contributions are to be paid in equal annual installments over a ten-year period, but may be prepaid at any time. Interest is to be charged on the unpaid amortized portion at a rate to be determined by the State Comptroller, which approximates a market rate of return on taxable fixed rate securities of a comparable duration issued by comparable issuers. The interest rate is established annually for that year’s amortized amount and then applies to the entire ten years of the amortization cycle of that amount. When in any fiscal year, the participating employer’s graded payment eliminates all balances owed on prior amortized amounts, any remaining graded payments are to be paid into an employer contribution reserve established by the State Comptroller for the employer, to the extent that amortizing employer has no currently unpaid prior amortized amounts, for future such use. The County has opted to amortize a portion of its yearly contribution as follows:

<u>Year Ending December 31:</u>	<u>Amount Amortized</u>	<u>Term</u>	<u>Interest Rate</u>
2013	\$ 3,633,100	10 years	3.00%
2014	3,628,104	10 years	3.67
2015	2,325,665	10 years	3.15
2016	1,402,406	10 years	3.21

The County did not amortize contributions in 2017 and does not expect to amortize contributions in 2018.

**ERS Contributions.** The current retirement expenditures presented in the County’s financial statements for each of the last five years and the amount budgeted for the most recent fiscal year are shown in the following table:

<u>Fiscal Year</u>	<u>ERS</u>
2013	\$ 7,596,893
2014	8,449,742
2015	9,031,567
2016	10,490,372
2017	8,617,597
2018 (Budget)	8,782,416

**Self Insurance.** The County is self insured for workers' compensation and general liability. The County, as well as other participants in the self-insured workers' compensation program, are assessed premiums which are based upon actual historical claims experience of the participant.

### ***Other Postemployment Benefits***

GASB Statement No. 45 (“GASB 45”) of the Governmental Accounting Standards Board (“GASB”) requires state and local governments to account for and report their costs associated with post-retirement healthcare benefits and other non-pension benefits (“OPEB”). GASB 45 generally requires that employers account for and report the annual cost of the OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Under previous rules, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements. Only current payments to existing retirees were recorded as an expense.

GASB 45 requires that state and local governments adopt the actuarial methodologies to determine annual OPEB costs. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due.

Under GASB 45, based on actuarial valuation, an annual required contribution (“ARC”) is determined for each state or local government. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 45 does not require that the unfunded liabilities actually be funded, only that the County account for its unfunded accrued liability and compliance in meeting its ARC. Actuarial valuation is required every two years for the County. The County’s funding policy is to contribute the current annual premium (net of employee contributions) for retired participants (i.e. pay-as-you-go). Current New York State law does not permit municipalities to pre-fund medical benefit obligations.

The County is in compliance with the requirements of GASB 45. The County has determined that its unfunded actuarial accrued liability (“UAAL”) for OPEB as of January 1, 2016 was \$209,896,049 and the County's ARC was \$16,099,136. The County’s unfunded actuarial accrued OPEB liability could have a material adverse impact upon the County’s finances and could force the County to reduce services, raise taxes or both.

Legislation has been proposed to create an optional investment pool to help the State and local governments fund retiree health insurance and other post-employment benefits. The proposed legislation would authorize the creation of irrevocable OPEB trusts so that the State and its local governments can help fund their OPEB liabilities, establish an OPEB investment fund in the sole custody of the State Comptroller for the investment of OPEB assets of the State and participating eligible local governments, designate the president of the Civil Service Commission as the trustee of the State’s OPEB trust and the governing boards as trustee for local governments and allow school districts to transfer certain excess reserve balances to an OPEB trust once it is established. Under the proposed legislation, there are no limits on how much a local government can deposit into the trust. The County cannot predict at this time whether such proposed legislation will be enacted into law.

## **FINANCIAL FACTORS**

### ***Budgetary Procedure***

Budget forms are sent to appropriate department heads in July. Department heads must submit their departmental budget to the County Manager by September 1. The County Manager prepares a tentative budget that is submitted for review by the County Legislature by November 15. The County Legislature reviews the tentative budget, as may be amended, and a public hearing is held in the month of December. The tentative budget as changed, altered or reviewed is adopted by resolution of the County Legislature by December 20. The budget is not subject to referendum.

### ***Independent Audits***

The County retained the firm of Drescher & Malecki LLP, Certified Public Accountants, to audit its financial statements for the fiscal year ended December 31, 2016. Appendix B, attached hereto, presents excerpts from the County’s most recent audited reports covering the last five fiscal years. Appendix C contains a link to the last fiscal year audit.

In addition, the County is subject to audit by the State Comptroller to review compliance with legal requirements and the rules and regulations established by the State. See “The State Comptroller’s Fiscal Stress Monitoring System and Compliance Reviews” herein.

### ***Investment Policy***

The County's investments are governed by a formal written investment policy, which investment policy is consistent with the Investment Policies and Procedures guidelines promulgated by the Office of the State Comptroller.



Pursuant to the County Treasurer's investment policy, investments of monies not required for immediate expenditure may be made in certain obligations authorized by Section 11 of the General Municipal Law of the State, as defined therein being (a) Special time deposit accounts; (b) Certificates of deposit; (c) Obligations of the United States Government; and (d) Obligations of the State of New York.

The County Treasurer's investment policy further provides that, in accordance with the provisions of Section 10 of the General Municipal law of the State, all deposits, including certificates of deposit and special time deposits, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act, are secured by a pledge of "eligible securities" with an aggregate "market value" equal to 100% of the aggregate amount of deposits. Eligible securities used for collateralizing deposits are to be held by a third party bank or trust company subject to security and custodial agreements.

The County's investment policy also authorizes the County to enter into repurchase agreements, subject to the following restrictions: (a) All repurchase agreements must be entered into subject to a master repurchase agreement; (b) Obligations shall be limited to obligations of the United States of America and obligations of agencies of the United States of America where principal and interest are guaranteed by the United States of America; (c) No substitution of securities will be allowed; (d) The custodian shall be a party other than the trading partner, and (e) Repurchase agreements shall be for periods of 30 days or less.

The County Treasurer's investment policy does not permit the County to invest in reverse repurchase agreements or other derivative-type investments and the County has never invested in reverse repurchase agreements, or other derivative-type investments.

### **Revenues**

The County derives its revenues primarily from real property taxes and special assessments, State aid and departmental fees and charges. A summary of such revenues for the years 2011-2015 is presented in Appendix B, hereto. Information for said fiscal years has been excerpted from the County's audited financial reports, however, such presentation has not been audited.

**Property Taxes.** The County derives a major portion of its revenues from a tax on real property (see "Statement of Revenues, Expenditures and Changes in Fund Balance" in Appendix B.) Property taxes accounted for 32.9% of total general fund and other governmental funds revenues for the fiscal year ended December 31, 2016.

The following table sets forth total fund revenues and real property taxes received for each of the past five audited fiscal years, and the amounts budgeted for the two most recent fiscal years.

#### **Fund Revenues & Real Property Taxes** <sup>(1)</sup>

<u>Fiscal Year Ended December 31:</u>	<u>Total Revenues</u>	<u>Real Property Taxes</u> <sup>(2)</sup>	<u>Taxes to Revenues</u>
2012	\$154,815,355	\$59,930,775	38.7%
2013	156,220,192	63,100,124	40.4
2014	154,941,940	63,285,819	40.8
2015	158,213,053	63,759,775	40.3
2016	174,694,622	65,950,310	37.8
2017 (Budget)	173,258,233	67,554,507	39.0
2018 (Budget)	183,154,110	73,594,459	40.2

(1) General Fund.

(2) Includes Real Property Taxes and Other Property Tax Items.

Source: Audited Financial Statements and Adopted Budgets of the County. Summary itself not audited.

**State Aid.** The County receives financial assistance from the State. State Aid accounted for approximately 11.6% of the total general fund revenues of the County in the 2016 fiscal year. A substantial portion of the State aid

received is directed to be used for specific programs. If the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the County, in any year or future years, the County may be affected by a delay in the receipt of State aid until sufficient State taxes have been received by the State to make State aid payments. Additionally, if the State should not adopt its budget in a timely manner, municipalities and school districts in the State, including the County, may be affected by a delay in the payment of State aid.

The State is not constitutionally obligated to maintain or continue State aid to the County. No assurance can be given that present State aid levels will be maintained in the future. State budgetary restrictions which eliminate or substantially reduce State aid could have a material adverse effect upon the County, requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures. (See also "MARKET FACTORS," herein.)

The following table sets forth total fund revenues and State aid revenues received for each of the past five audited fiscal years, and the amounts budgeted for the two most recent fiscal years.

**Fund Revenues & State Aid Revenues<sup>(1)</sup>**

<u>Fiscal Year Ended December 31:</u>	<u>Total Revenues</u>	<u>State Aid</u>	<u>State Aid to Revenues</u>
2012	\$154,815,355	\$15,014,371	9.7%
2013	156,220,192	16,102,525	10.3
2014	154,941,940	13,514,877	8.7
2015	158,213,053	18,418,756	11.6
2016	174,694,622	20,265,596	11.6
2017 (Budget)	173,258,233	20,933,802	12.1
2018 (Budget)	183,154,110	20,890,015	11.4

(1) General Fund.  
Source: Audited Financial Statements and Adopted Budgets of the County. Summary itself not audited.

**Sales Tax.** The County presently imposes a sales tax of 4%, in addition to the 4% tax imposed by the State for a countywide sales tax rate of 8%. Such sales tax collections are administered by the State Tax Commission and paid at least monthly to the County. Effective, June 1, 2007 the local sales tax rate increased by ½% from 3½% to 4% through June 1, 2013. The County has been granted an extension to November 30, 2017. Currently no portion of the County's sales taxes are allocated to other municipalities.

The following table sets forth the sales tax revenues reported by the County for each of the past five audited fiscal years, and the amounts budgeted for the two most recent fiscal years.

**General Fund Revenues & Sales Tax<sup>(1)</sup>**

<u>Fiscal Year Ended December 31:</u>	<u>Total Revenues</u>	<u>Sales Tax</u>	<u>Sales Tax to Revenues</u>
2012	\$154,815,355	\$34,034,764	22.0%
2013	156,220,192	33,793,427	21.6
2014	154,941,940	35,960,305	23.2
2015	158,213,053	36,463,665	23.0
2016	174,694,622	39,296,629	22.5
2017 (Budget)	173,258,233	40,000,000	23.1
2018 (Budget)	183,154,110	42,900,000	23.4

(1) General Fund.  
Source: Audited Financial Statements Adopted Budgets of the County. Summary itself not audited.

***Summary of FY Ended December 31, 2017 – Unaudited Results***

The following table shows unaudited preliminary result of operations of the County’s General Fund based on projections from the office of the County Treasurer. Such data is preliminary and subject to audit adjustments, if any.

<b>UNAUDITED Fund Balance</b>	<u>General Fund</u>
Ending Balance at 12-31-16 (audited)	\$ 38,340,965
Revenues	172,102,867
Expenditures	<u>177,025,829</u>
Operating Surplus	<u>(4,922,962)</u>
Ending Balance at 12/31/17	<u>\$33,418,003</u>
Consisting of:	
Non-Spendable	
Unassigned	15,927,900
Assigned	17,459,376
Restricted	<u>30,727</u>
Total Fund Balance	<u><u>\$33,418,003</u></u>

Note: This chart is NOT audited.

*(The remainder of this page has been intentionally left blank.)*

## REAL PROPERTY TAXES

### *Real Property Taxes, Assessments and Rates*

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Tax Levy:					
County	\$63,716,599 <sup>(1)</sup>	\$64,778,146	\$65,647,883	\$66,393,445	\$69,919,673
Towns	58,797,727	60,115,642	61,382,807	63,306,098	64,437,709
Relevied School	<u>15,692,647</u>	<u>15,173,238</u>	<u>16,115,631</u>	<u>15,306,791</u>	<u>14,745,755</u>
Total	<u>\$138,206,973</u>	<u>\$140,067,026</u>	<u>\$143,146,321</u>	<u>\$145,006,334</u>	<u>149,103,137</u>
Adjustments:	506,953	685,895	1,555,698	673,6721	705,375.32
Total	<u>\$138,713,926</u>	<u>\$140,752,921</u>	<u>\$144,702,019</u>	<u>\$145,680,007</u>	<u>\$149,808,512</u>
Taxes Collected:					
Current Year	\$127,267,550	\$129,867,948	\$133,816,562	\$134,800,663	\$140,137,312
Prior Years	<u>11,625,754</u>	<u>9,398,915</u>	<u>13,854,128</u>	<u>10,370,613</u>	<u>10,285,085</u>
Total	<u>\$138,893,304</u>	<u>\$139,266,863</u>	<u>\$147,670,690</u>	<u>\$145,171,276</u>	<u>\$150,422,397</u>
Percent Collected:					
Current Levy	91.75%	92.27%	92.48%	92.53%	93.54%
Total Taxes To Levy	100.00	99.00	102.00	100.00	100.00
Taxes Uncollected End Of Year:					
Current Year	\$11,446,376	\$10,884,974	\$10,885,457	\$10,879,344	\$9,671,200
Prior Years	9,393,196	11,440,658	8,471,504	8,986,348	9,580,607
Returned School Taxes	<u>15,173,238</u>	<u>16,117,478</u>	<u>15,306,791</u>	<u>14,745,755</u>	<u>14,166,715</u>
Total	<u>\$36,012,810</u>	<u>\$38,443,110</u>	<u>\$34,663,752</u>	<u>\$34,611,447</u>	<u>\$33,418,522</u>

(1) The County's 2013 tax levy exceeded the restrictions of the "Tax Levy Limitation Law" as described herein.  
Source: Sullivan County Treasurer's office.

### ***Tax Collection Procedures***

County and town taxes are collected by the respective tax collection officers of towns within the County from January first to April first when settlement is made with the County Treasurer who makes collections thereafter. The towns share of tax levies, which is guaranteed by the County, is paid to Supervisors out of the first moneys received. The County assumes responsibility for and collects any delinquent taxes of the towns in the County. A five percent penalty is added to unpaid items at the time of settlement; thereafter, unpaid items, inclusive of this penalty, bear interest currently at the rate of twelve percent per annum. The rate is determined each year by July 15 based on the one year constant maturity yield index for U.S. Treasury Securities for the quarter-year ending on the immediately preceding June 30. The rate is effective for a twelve-month period commencing August 1 each year and in no event will be less than ten per centum per annum.

The County is also responsible for collecting delinquent school taxes. The delinquent taxes are turned over by the school tax collector of each school district in November (after being collected by the school districts from September 1 through November 1) to the County for collection from November 15 through November 30. The remaining delinquent taxes are then added to the January Town and County tax bill along with an additional seven percent interest added on to the remaining unpaid school tax balance. On April 1, the County pays the school districts in full for any uncollected school district taxes.

## *Constitutional Tax Margin*

### **For the Years Ended December 31:**

	<u>2017</u>	<u>2018</u>
Constitutional Tax Limit	\$114,805,737	\$113,929,847
Tax Levy	61,377,615	63,165,312
Total Exclusions	<u>(6,178,019)</u>	<u>(14,781,420)</u>
 Tax Margin	 <u>\$ 59,606,141</u>	 <u>\$ 65,545,955</u>

Source: Sullivan County Treasurer's office.

## *Ten of the Largest Taxpayers*

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2017 County Full Valuation</u>	<u>% of Total Full Valuation</u>
City of New York	Reservoir	\$471,746,053	6.2%
N.Y.S. Electric & Gas	Utility	139,690,291	1.8
State of New York	State Lands	52,650,858	0.7
Orange and Rockland	Utility	47,858,658	0.6
Verizon	Utility	25,078,250	0.3
Time Warner	Utility	23,237,700	0.3
Catskill Development	Racetrack	13,800,949	0.2
Eagle Creek	Utility	11,761,996	0.2
Thompson Station	Retail	11,363,600	0.2
Wal-Mark Real Estate	Retail	9,525,014	0.1
 TOTAL:		 <u>\$806,713,369</u>	 <u>10.6%</u>

Source: Sullivan County Treasurer's office.

## **COUNTY INDEBTEDNESS**

### *Constitutional Requirements*

The State Constitution limits the power of the County (and other municipalities and certain school districts of the State) to issue obligations and to contract indebtedness. Such constitutional limitations include the following, in summary form, and are generally applicable to the County and its obligations.

**Purpose and Pledge.** Subject to certain enumerated exceptions, the County shall not give or loan any money or property to or in aid of any individual or private corporation or give or loan its credits to or in aid of any of the foregoing or any public corporation.

The County may contract indebtedness only for a County purpose and shall pledge its full faith and credit for the payment of principal of and interest thereon.

**Payment and Maturity.** Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three fiscal year periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose determined by statute or, in the alternative, the weighted

average period of probable usefulness of the several objects or purposes for which it is contracted. No installment of principal may be more than fifty percent in excess of the smallest prior installment unless the County Legislature provides for substantially level or declining annual debt service in the manner prescribed by the State Legislature. The County is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and such required annual installments on its notes.

**Debt Limit.** Pursuant to the Local Finance Law, the County has the power to contract indebtedness for any County purpose authorized by the Legislature of the State provided the aggregate principal amount thereof shall not exceed seven per centum of the average five-year full valuation of the taxable real estate located in the County and subject to certain enumerated exclusions and deductions such as debt contracted to provide water, self-liquidating facilities, and certain sewer facilities and cash or appropriations to pay the principal amount of outstanding debt. The constitutional method for determining full valuation consists of dividing the total assessed valuation of taxable real estate for a particular assessment roll by the final equalization rate established for such assessment roll by the State Office of Real Property Tax Services (the "ORPTS"). The State Legislature also is required to prescribe the manner by which such rate shall be determined. Average full valuation is determined by taking the sum of the full valuations of the last five completed assessment rolls and dividing such sum by five.

### ***Statutory Procedure***

In general, the State Legislature, by enactment of the Local Finance Law, authorized the powers and procedures for the County to borrow and incur indebtedness subject, of course, to the constitutional provisions set forth above. The power to spend money, however, generally derives from other law, including specifically the County Law.

Pursuant to the Local Finance Law, the County authorizes the issuance of bonds by the adoption of a bond resolution, approved by at least two-thirds of the members of the County Legislature, the finance board of the County. Customarily, the County has delegated to the County Treasurer, as chief fiscal officer of the County, the power to authorize and sell bond anticipation notes in anticipation of authorized bonds.

The Local Finance Law also provides that where a bond resolution is published with a statutory form of notice, the validity of the bonds authorized thereby, including bond anticipation notes issued in anticipation of the sale thereof, may be contested only if:

- 1) Such obligations are authorized for a purpose for which the County is not authorized to expend money, or
- 2) There has not been substantial compliance with the provisions of law which should have been complied with in the authorization of such obligations

and an action contesting such validity is commenced within twenty days after the date of such publication, or

- 3) Such obligations are authorized in violation of the provisions of the constitution.

Except on rare occasions, the County complies with this estoppel procedure. It is a procedure that is recommended by Bond Counsel but it is not an absolute legal requirement. The County has followed the estoppel procedures for the bond resolution which authorized the Bonds and Notes.

Each bond resolution usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the Bonds subject to the legal (Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto. The County has authorized bonds for a variety of County objects or purposes.

Statutory law in the State permits bond anticipation notes to be renewed each year provided annual principal installments are made in reduction of the total amount of such notes outstanding, commencing no later than two years from the date of the first of such notes, and provided that such renewals do not extend five years beyond the original date of borrowing. (See "Payment and Maturity" under "Constitutional Requirements" herein).

In general, the Local Finance Law contains provisions providing the County with power to issue certain other short-term general obligation indebtedness including revenue and tax anticipation notes and budget notes.

***Constitutional Debt Contracting Limitation***

ORPTS annually establishes State equalization rates for all assessing units in the State, including the County, which are determined by statistical sampling of market/assessment studies. The equalization rates are used in the calculation and distribution of certain state aids and are used by many localities in the calculation of debt contracting and real property taxing limitations. The County is not subject to a constitutional real property taxing limitation but has a debt contracting limitation equal to seven percent (7%) of average full valuation (See “Constitutional Requirements, Debt Limit,” herein). See “Tax Levy Limitation Law” herein as to statutory constricts on real property taxation.

The County determines the assessed valuation for taxable real properties. The ORPTS determines the assessed valuation of special franchises and the taxable ceiling of railroad property. Special franchises include assessments on certain specialized equipment of utilities under, above, upon or through public streets or public places. Certain properties are taxable for school purposes but exempt for County purposes.

The following table sets forth the debt limit of the County:

**Computation of Debt Contracting Limitation  
As of April 16, 2018**

<u>Year</u>	<u>Assessed Valuation <sup>(1)</sup></u>	<u>Equalization Rate <sup>(2)</sup></u>	<u>Full Valuation</u>
2013	\$5,349,884,060	65.88	\$8,120,649,757
2014	5,167,880,530	67.17	7,693,733,110
2015	5,053,365,493	66.74	7,571,719,348
2016	5,022,250,855	67.13	7,481,380,687
2017	5,076,100,535	66.87	<u>7,590,998,258</u>
Total Five-Year Full Valuation			<u>38,458,481,160</u>
Average Five-Year Full Valuation			<u>\$7,691,696,232</u>
Debt Limit - 7% of Average Full Valuation			<u><u>\$538,418,736</u></u>

(1) Assessed valuations are determined by the town governments comprising the County.  
(2) State equalization rates are different for all towns which comprise the County.

**Statutory Debt Limit and Net Indebtedness**

The following table, based on information furnished by the County, presents the debt-incurring power of the County and shows that the County is within its constitutional debt limit.

**Statement of Debt Limit and Net Indebtedness  
April 16, 2018**

	<u>Amount</u>	<u>Percentage Of Debt Limit</u>
Debt Contracting Limitation: Seven Percentum of Five-Year Average Full Valuation (See Above)	\$538,418,736	100.00%
Gross Direct Debt:		
Bonds (County and EFC Issued) <sup>(1)</sup>	108,295,000	20.11
Bonds (County through Municipal Bond Bank Agency) <sup>(2)</sup>	<u>9,795,000</u>	<u>1.82</u>
Total Gross Debt	<u>118,090,000</u>	<u>21.93</u>
Exclusions and Deductions:		
Appropriations	<u>6,460,000</u>	<u>1.20</u>
Total Exclusions and Deductions	<u>6,460,000</u>	<u>1.14</u>
Total Net Direct Debt	<u>111,630,000</u>	<u>20.73</u>
Debt-Contracting Margin <sup>(2)</sup>	<u><u>\$426,788,736</u></u>	<u><u>79.27</u></u>

(1) EFC Issued refers to County debt issued through the New York State Environmental Facilities Corporation.

(2) See "Outstanding County-Related Municipal Bond Bank Agency Bonds" herein.

**Tax Anticipation Notes**

The following is a history of the County's Tax Anticipation Note ("TAN") borrowings for the last five years. The County does not expect to issue a TAN in the 2018 fiscal year.

Fiscal Year Ended <u>December 31:</u>	<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Maturity Date</u>
2013	03-19-13	9,500,000	03-07-14
2014	03-06-14	9,000,000	03-06-15
2015	03-05-15	8,500,000	03-04-16
2016	03-03-16	6,300,000	03-03-17
2017	None Issued		



***Trend of Capital Debt***

**Capital Debt 2013-2017**

	Years Ended December 31:				
	2013	2014	2015	2016	2017
Bonds	\$36,360,000	\$40,480,000	\$34,820,000	\$113,915,000	\$108,690,000
MBBA Bonds <sup>(1)</sup>	14,245,000	13,200,000	12,115,000	10,985,000	9,795,000
Bond Anticipation Notes	9,230,000	6,450,000	11,120,000	0	0
<b>Total</b>	<b>\$59,835,000</b>	<b>\$60,130,000</b>	<b>\$58,055,000</b>	<b>\$124,900,000</b>	<b>\$118,485,000</b>

(1) See "Outstanding County-Related Municipal Bond Bank Agency Bonds" herein.

***Overlapping and Underlying Debt***

In addition to the County, the following political subdivisions have the power to issue bonds and to levy taxes or cause taxes to be levied on taxable real property in the County. Estimated indebtedness for such political subdivisions is as follows:

**Statement of Direct and Overlapping Indebtedness  
As of April 16, 2018**

Gross Direct Indebtedness	\$118,090,000
Exclusions and Deductions	<u>6,460,000</u>
Net Direct Indebtedness	<u>\$111,630,000</u>

**Overlapping Indebtedness**

<u>Jurisdiction Type</u>	<u>Estimated Net Indebtedness</u>
Towns	\$ 20,665,681
Villages	1,532,962
School Districts	115,039,325
Fire Districts	<u>7,760,336</u>
	<u>\$144,998,304</u>

Source: County of Sullivan Comprehensive Audited Financial Report for fiscal year ending December 31, 2016 for Towns, Villages and School Districts. Office of the State Comptroller Financial Data for Local Governments for Fire Districts.

***Debt Ratios***

The following table presents certain debt ratios relative to the County's capital indebtedness as of April 16, 2018.

	<u>Amount</u>	<u>Debt Per Capita <sup>(1)</sup></u>	<u>Debt To Full Value <sup>(2)</sup></u>
Net Direct Debt	\$111,630,000	\$1,472	1.47%
Net Direct and Overlapping Debt	256,628,304	3,385	3.38%

(1) Based on a 2016 population estimate of 75,818 (US Census Bureau American Community Survey 5-Year Estimates).

(2) The full valuation of the County for 2017 is \$7,590,998,258.

### ***Authorized and Unissued Debt***

The County currently has \$6 million of authorized but unissued debt for bridges authorized on December 14, 2017.

### ***Debt Service Schedule***

The following table presents the debt service requirements to maturity on the County's outstanding general obligation bonded indebtedness.

Years Ending Dec. 31:	Outstanding Bonds <sup>(1)</sup>			Cumulative % Principal Paid
	Principal Payment	Interest Payment	Total Debt Service	
2018 <sup>(2)</sup>	\$ 6,855,000	\$ 3,352,607	\$10,207,607	6.31%
2019	6,120,000	3,109,586	9,229,586	11.94
2020	5,045,000	2,909,288	7,954,288	16.58
2021	5,215,000	2,751,888	7,966,888	21.38
2022	5,395,000	2,587,763	7,982,763	26.34
2023	4,180,000	2,415,684	6,595,684	30.19
2024	4,280,000	2,305,331	6,585,331	34.12
2025	3,090,000	2,204,294	5,294,294	36.97
2026	3,170,000	2,113,406	5,283,406	39.88
2027	2,495,000	2,018,306	4,513,306	42.18
2028	2,565,000	1,943,456	4,508,456	
2029	2,635,000	1,866,506	4,501,506	
2030	2,705,000	1,787,456	4,492,456	
2031	2,780,000	1,706,306	4,486,306	
2032	2,855,000	1,622,906	4,477,906	
2033	2,935,000	1,537,256	4,472,256	
2034	3,015,000	1,449,206	4,464,206	
2035	3,100,000	1,358,756	4,458,756	
2036	3,185,000	1,265,756	4,450,756	
2037	3,270,000	1,170,206	4,440,206	
2038	3,360,000	1,072,106	4,432,106	
2039	3,455,000	971,306	4,426,306	
2040	3,550,000	863,338	4,413,338	
2041	3,645,000	752,400	4,397,400	
2042	3,745,000	638,494	4,383,494	
2043	3,850,000	521,463	4,371,463	
2044	3,955,000	396,338	4,351,338	
2045	4,065,000	267,800	4,332,800	
2046	4,175,000	135,688	4,310,688	
	<u>\$ 108,690,000</u>	<u>\$ 47,094,896</u>	<u>\$155,784,896</u>	

(1) The above table does not include debt issued through the State Municipal Bond Bank Agency. See "Outstanding County-Related Municipal Bond Bank Agency Bonds" herein.

(2) As of April 16, 2018, the County has paid \$395,000 principal and \$295,478 interest on serial bonds due in fiscal 2018.

### ***Outstanding County-Related Municipal Bond Bank Agency Bonds***

In 2010 the New York State Municipal Bond Bank Agency (“MBBA”) issued bonds on behalf of the County with federally taxable interest payments pursuant to provisions of the American Recovery and Reinvestment Act of 2009 and the County issued an equivalent amount of its general obligation bonds to the MBBA.

Due to effects of the Sequestration in 2013, the County’s 2013 expected subsidy was reduced by 8.7%, the 2014 subsidy was reduced by 7.2%, the 2015 subsidy was reduced by 7.3%, the 2016 subsidy was reduced by 6.8% and the 2017 subsidy was reduced by 6.9%.

The following presents the outstanding MMBA bonds principal and interest.

Years Ending Dec. 31:	Principal	Interest	Total Principal and Interest	Estimated Subsidy	Total Estimated Net Principal and Interest
2018 <sup>(1)</sup>	\$ 1,250,000	\$ 507,332	\$ 1,757,332	\$142,560	\$1,614,772
2019	1,290,000	443,406	1,733,406	124,597	1,608,809
2020	1,335,000	375,047	1,710,047	105,388	1,604,659
2021	1,385,000	304,403	1,689,403	85,537	1,603,866
2022	1,455,000	225,861	1,680,861	63,467	1,617,394
2023	1,510,000	137,919	1,647,919	38,755	1,609,164
2024	1,570,000	46,566	1,616,566	13,085	1,603,481
	<u>\$9,795,000</u>	<u>\$2,040,534</u>	<u>\$11,835,534</u>	<u>\$573,389</u>	<u>\$11,262,145</u>

(1) As of April 16, 2018, the County has paid \$0 principal and \$0 interest on Municipal Bond Bank Agency bonds due during 2018.

### ***Tobacco Asset Securitization Corporation***

Pursuant to a Master Settlement Agreement (“MSA”) entered into on November 23, 1998, 46 states (including New York) agreed to settle all their past, present and future smoke-related claims in exchange for an agreement by participating tobacco manufacturers to make certain payments to them. A Decree and Final Judgment entered by the Supreme Court of New York State allocated a share of the revenues to the County.

The Sullivan County Tobacco Asset Securitization Corporation (“the Corporation”) is a special purpose, bankruptcy-remote local development corporation organized under the Not-For-Profit Corporation Law of the State of New York. The Corporation is an instrumentality of, but separate and apart from the County. The Corporation was established in 2001 to purchase proceeds of the County’s share of the monies to be received under tobacco settlement litigation.

The Corporation, along with five other Tobacco Asset Securitization Corporations combined to form the New York Counties Tobacco Trust II in August of 2001 to issue bonds to finance the purchase price of the future rights, title and interest in the tobacco revenues. On August 8, 2001 the Trust issued \$215,220,000 of Tobacco Settlement Asset-Backed Bonds. The Corporation’s portion of \$16,965,000 was used to pay off existing debt of the County.

NYCTT VI was formed to facilitate the exchange and refunding of certain outstanding bonds including the Corporation’s NYCTT II bonds. Upon issuance of the NYCTT VI bonds all of the Corporation’s NYCTT II bonds were immediately defeased. The NYCTT VI bonds were issued in September 2016.

**Lease Debt**

Operating Leases: The County leases buildings and equipment. Leased property, not having elements of ownership, are classified as operating leases. Operating lease payments are recorded as expenditures when payable in the fund financial statements. Total expenditures on operating leases for the fiscal year ended December 31, 2016 were approximately \$671,898. Future minimum lease payments at December 31, 2016 are presented below.

Year Ending December 31,	Operating Leases
2017	\$525,539
2018	505,880
2019	489,976
2020	486,728
2021	238,188
2022 and beyond	13,455
Future Minimum Payments	<u>\$2,259,766</u>

Capital Leases: Sullivan County Community College (the “College”) has entered into a capital lease to finance the construction of energy saving improvements and equipment. The lease financed \$3,662,030 for these improvements in 2010. Future minimum lease payments for the College as of August 31, 2016 are shown below.

Year Ending August 31,	Principal	Interest
2017	\$193,281	\$ 94,180
2018	202,258	85,203
2019	213,645	73,815
2020	225,674	61,786
2021	238,380	49,080
2022 and beyond	763,790	63,697
Future Minimum Payments	<u>\$1,837,028</u>	<u>\$427,761</u>

Interest expense for the College’s year ended August 31, 2016 related to capital lease obligations was \$108,046.

**ECONOMIC AND DEMOGRAPHIC DATA**

**Population**

Year	<u>Population</u>		
	County	State	United States
1980	65,155	17,558,072	226,545,805
1990	69,277	17,990,455	248,709,873
2000	73,966	18,976,457	281,421,906
2010	77,547	19,378,102	308,746,065
2016	75,818	19,697,457	318,558,162

Source: U.S. Department of Commerce, Bureau of the Census. American Community Survey 5-Year Estimates.

**Percent Change in Population**

<u>Census</u>	<u>County</u>	<u>State</u>	<u>United States</u>
1990	6.3%	2.5%	9.8%
2000	6.8	5.5	13.2
2010	4.8	2.1	9.7
2016	(2.2)	1.6	3.2

Source: U.S. Department of Commerce, Bureau of the Census.

***Income***

**Per Capita Money Income**

	<u>2010</u>	<u>2016</u>	<u>% Change</u>
County	23,422	27,068	15.6%
State	30,948	34,212	10.5

Source: U.S. Department of Commerce, Bureau of the Census (American FactFinder). American Community Survey 5-Year Estimate.

**Median Income of Families**  
**2016**

	<u>Median Income</u>	<u>Income Groups - % of Families</u>				
		<u>Under \$25,000</u>	<u>\$25,000 -49,999</u>	<u>\$50,000 -74,999</u>	<u>\$75,000 -99,999</u>	<u>\$100,000 Or More</u>
County	63,506	16.0	22.6	21.0	14.8	25.7
State	74,036	15.5	18.6	16.5	13.2	36.3

Source: U.S. Department of Commerce, Bureau of the Census (American FactFinder). American Community Survey 5-Year Estimate.

***Employment***

**Average Employed Civilian Labor Force**  
**2000-2017**

	<u>2000</u>	<u>2010</u>	<u>2017</u>	<u>% of Change</u>	
				<u>2000-2010</u>	<u>2010-2017</u>
County	31,500	33,200	32,900	5.4%	(0.9)%
State	8,718,700	8,769,700	9,249,200	0.6	5.4

Source: The New York State Department of Labor.

**Average Unemployment Rates**

<u>Year</u>	<u>County</u>	<u>State</u>	<u>United States</u>
2013	8.1%	7.7%	6.5%
2014	6.6	6.3	5.4
2015	5.4	5.3	4.8
2016	4.8	4.8	4.5
2017	4.9	4.7	3.9
2018 <sup>(1)</sup>			
Jan	6.0	5.1	4.5
Feb	5.9	5.1	4.4

(1) Monthly Rates.

Source: New York State Labor Department and U.S. Bureau of Labor Statistics.

**Major Employers in the County**

<u>Name of Organization</u>	<u>Industry or Business</u>	<u>Number of Employees <sup>(1)</sup></u>
Center for Discovery (Sullivan Diagnostic Treatment Center)	Health Care	1,515
Sullivan County	County Government	1,021
Catskill Regional Medical Center	Hospital	818
Monticello Central School District	Public School	685
Murray Bresky Consultants	Food Distribution	640
New Hope Community, Inc.	Housing & Workshops	610
NYS Association for Retarded Children	Housing & Workshops	556
Wal-Mart	Retail	519
Sullivan Correctional Facility	Correctional Facility	424
Woodbourne Correctional Facility	Correctional Facility	421

(1) Some employment figures include part-time positions.

Source: Sullivan County Audit for year ended December 31, 2016.

***Housing Data***

**Housing Stock**  
**2000 - 2016**

	<u>Number of Units</u>			<u>% Change</u>	
	<u>2000</u>	<u>2010</u>	<u>2016</u>	<u>2000-2010</u>	<u>2010-2016</u>
County	44,730	49,186	49,645	10.0%	0.9%
State	7,679,307	8,108,103	8,191,568	5.6	1.0

Source: U.S. Department of Commerce, Bureau of the Census.

**Median Housing Values and Rents**  
**2016**

	<u>Constructed</u> <u>2010-2016</u>	<u>Median Value</u>	<u>Median Rent</u>	<u>Occupancy Status</u>		
		<u>Owner</u> <u>Occupied Units</u>	<u>Renter</u> <u>Occupied Units</u>	<u>Owner</u> <u>Occupied</u>	<u>Renter</u> <u>Occupied</u>	<u>Vacant</u>
County	1.0	\$165,900	\$862	37.8%	18.6%	43.6%
State	1.3	286,300	1,159	47.5	41.2	11.3

Source: U.S. Department of Commerce, Bureau of the Census.

**END OF APPENDIX A**

**APPENDIX B**

**UNAUDITED SUMMARY OF FINANCIAL STATEMENTS AND BUDGETS**

**THIS PAGE INTENTIONALLY LEFT BLANK**



COUNTY OF SULLIVAN  
GENERAL FUND  
BALANCE SHEET  
AS OF DECEMBER 31:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>ASSETS</b>					
Cash & Equivalents	\$ 23,378,731	\$ 26,597,100	\$ 25,764,535	\$ 28,652,592	\$ 37,422,447
Taxes Receivable, Net	35,372,522	33,984,941	36,270,541	29,777,790	28,297,338
Accounts Receivable, Net	5,018,727	8,270,666	11,135,855	11,195,078	13,414,732
State and Federal Aid Receivable	24,597,861	21,264,280	16,249,126	14,866,915	13,541,502
Due from Other Governments	265,381	191,546	121,887	321,262	0
Due from Other Funds	6,138,561	7,926,380	3,530,362	3,406,578	8,972,638
Advances to Other Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,119,167</u>	<u>0</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 94,771,783</u></b>	<b><u>\$ 98,234,913</u></b>	<b><u>\$ 93,072,306</u></b>	<b><u>\$ 91,339,382</u></b>	<b><u>\$ 101,648,657</u></b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 8,077,578	\$ 7,902,881	\$ 6,709,870	\$ 5,888,499	\$ 8,362,476
Accrued Liabilities	3,144,286	3,281,169	3,423,949	2,111,671	2,329,237
Retainage	1,352	1,352	0	0	0
Due to Other Governments	278,828	314,258	474,796	372,739	0
Due to School Districts	19,662,798	18,477,332	19,169,614	18,665,017	17,760,510
Deferred Revenues	0	0	0	0	0
Deferred Tax Revenues	0	0	0	0	0
Due to Other Funds	6,839,496	8,276,984	6,848,192	10,412,112	11,517,702
Due to Retirement System	4,832,164	5,378,238	5,687,880	5,918,201	6,003,308
Unearned Revenues	0	0	0	921,555	58,067
Tax Anticipation Notes Payable	10,000,000	9,500,000	9,000,000	8,500,000	6,300,000
Deposits	<u>4,939,099</u>	<u>4,385,955</u>	<u>5,116,508</u>	<u>0</u>	<u>0</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 57,775,601</u></b>	<b><u>\$ 57,518,169</u></b>	<b><u>\$ 56,430,809</u></b>	<b><u>\$ 52,789,794</u></b>	<b><u>\$ 52,331,300</u></b>
Deferred Inflows of Resources	<u>\$ 12,573,320</u>	<u>\$ 13,207,639</u>	<u>\$ 12,453,374</u>	<u>\$ 11,648,135</u>	<u>\$ 10,976,392</u>
<b>FUND BALANCES</b>					
Nonspendable	0	4,865,391	397,864	3,119,167	0
Restricted	775,058	773,434	1,914,665	596,633	636,878
Committed	9,694,504	13,503,770	14,250,044	7,604,102	6,718,564
Assigned	1,116,190	1,349,150	236,404	7,370,106	19,123,085
Unassigned	<u>12,837,110</u>	<u>7,017,360</u>	<u>7,389,166</u>	<u>8,211,445</u>	<u>11,862,438</u>
<b>TOTAL FUND BALANCES</b>	<b><u>\$ 24,422,862</u></b>	<b><u>\$ 27,509,105</u></b>	<b><u>\$ 24,188,143</u></b>	<b><u>\$ 26,901,453</u></b>	<b><u>\$ 38,340,965</u></b>
<b>TOTAL LIABILITIES AND FUND BALAN</b>	<b><u>\$ 94,771,783</u></b>	<b><u>\$ 98,234,913</u></b>	<b><u>\$ 93,072,326</u></b>	<b><u>\$ 91,339,382</u></b>	<b><u>\$ 101,648,657</u></b>

The financial data presented on this page has been excerpted from the audited financial statements of the County. Such presentation, however, has not been audited. Complete copies of the County's audited financial statements are available upon request to the County.

COUNTY OF SULLIVAN  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
YEARS ENDED DECEMBER 31:

	2012	2013	2014	2015	2016
<b>REVENUES:</b>					
Real Property Taxes	\$ 51,466,856	\$ 53,786,165	\$ 55,763,769	\$ 55,328,648	\$ 57,546,461
Other Tax Items	8,463,919	9,313,959	7,522,050	8,431,127	8,403,849
Non-Property Taxes	36,226,594	36,206,602	38,064,659	38,813,293	41,659,523
Departmental Income	20,811,540	20,015,462	18,874,213	18,459,272	18,055,079
Intergovernmental Charges	510,912	521,439	682,268	576,134	445,647
Use of Money and Property	157,862	174,443	151,976	153,211	162,776
Licenses & Permits	20,990	20,000	58,400	51,090	61,820
Fines & Forfeitures	497,936	322,034	283,928	258,877	345,342
Sale of Property and Compensation for Loss	176,060	62,818	39,953	415,224	751,016
Federal Sources	18,197,064	16,283,063	16,521,116	13,775,237	15,244,570
State Sources	15,014,371	16,102,525	13,514,877	18,418,756	20,265,596
Miscellaneous/Other	3,271,251	3,411,682	3,464,731	3,532,184	11,752,943
<b>Total Revenues</b>	<b>\$ 154,815,355</b>	<b>\$ 156,220,192</b>	<b>\$ 154,941,940</b>	<b>\$ 158,213,053</b>	<b>\$ 174,694,622</b>
<b>EXPENDITURES</b>					
General Government Support	\$ 23,008,080	\$ 22,866,068	\$ 23,375,800	\$ 24,120,228	\$ 25,795,307
Education	5,297,188	5,547,733	5,457,556	5,314,383	5,654,545
Public Safety	22,281,506	23,168,719	24,058,483	24,848,849	25,139,387
Health	23,150,414	23,063,706	21,926,234	23,849,742	22,800,971
Transportation	1,172,599	1,187,575	1,362,008	1,172,115	1,140,260
Economic Assistance	56,711,538	55,052,400	58,931,619	51,877,834	60,597,993
Culture & Recreation	3,289,795	3,129,855	3,171,942	3,317,680	3,397,302
Home & Community Services	1,443,075	1,063,084	1,435,145	1,335,829	1,524,744
Debt Service	668,167	843,125	276,875	96,000	109,944
<b>Total Expenditures</b>	<b>\$ 137,022,362</b>	<b>\$ 135,922,265</b>	<b>\$ 139,995,662</b>	<b>\$ 135,932,660</b>	<b>\$ 146,160,453</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 17,792,993</b>	<b>\$ 20,297,927</b>	<b>\$ 14,946,278</b>	<b>\$ 22,280,393</b>	<b>\$ 28,534,169</b>
<b>Other Financing Sources (Uses):</b>					
Premiums	\$ 81,993	\$ 36,237	\$ 68,892	\$ 0	\$ 0
Operating Transfers In	726,335	10,313	884	364,517	1,689,919
Operating Transfers Out 1	(17,311,051)	(17,258,234)	(18,337,016)	(19,931,600)	(20,380,279)
<b>Total Other Financing Sources</b>	<b>\$ (16,502,723)</b>	<b>\$ (17,211,684)</b>	<b>\$ (18,267,240)</b>	<b>\$ (19,567,083)</b>	<b>\$ (18,690,360)</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>1,290,270</b>	<b>3,086,243</b>	<b>(3,320,962)</b>	<b>2,713,310</b>	<b>9,843,809</b>
<b>Fund Balances (Deficits) Beginning of Year</b>	<b>23,132,592</b>	<b>24,422,862</b>	<b>27,509,105</b>	<b>24,188,143</b>	<b>28,497,156</b>
<b>Fund Balances (Deficits) End of Year</b>	<b>\$ 24,422,862</b>	<b>\$ 27,509,105</b>	<b>\$ 24,188,143</b>	<b>\$ 26,901,453</b>	<b>\$ 38,340,965</b>

The financial data presented on this page has been excerpted from the audited financial statements of the County. Such presentation, however, has not been audited. Complete copies of the County's audited financial statements are available upon request to the County.

COUNTY OF SULLIVAN  
SUMMARY OF ADOPTED BUDGET  
FISCAL YEAR ENDING DECEMBER 31

	<u>2017</u>	<u>2018</u>
	39.0%	40.2%
<b><u>REVENUES</u></b>	67,554,507	73,594,459
Real Property Taxes (Net of Allowance)	\$ 58,264,118	\$ 62,147,972
Fees and Other Revenue	9,290,389	11,446,487
Non-Property Taxes	42,162,000	45,532,000
Departmental Income	20,309,675	19,709,108
Miscellaneous	4,394,302	4,930,474
State Sources	20,933,802	20,890,015
Federal Sources	<u>17,903,947</u>	<u>18,498,054</u>
 Total Revenues	 173,258,233	 183,154,110
	12.1%	23.4%
Appropriated Fund Balance	<u>6,433,223</u>	<u>4,723,040</u>
 Total Revenue and Appropriated Fund Bala	 \$ 179,691,456	 \$ 187,877,150
		\$42,900,000
 <b><u>EXPENDITURES</u></b>		
General Government Support	\$ 28,627,395	\$ 32,548,242
Education	5,800,000	5,675,000
Public Safety	26,758,890	28,011,922
Health	26,190,661	25,880,337
Transportation	1,792,342	1,915,211
Economic Assistance	59,959,559	61,958,563
Culture & Recreation	4,038,532	3,736,178
Home & Community Services	2,018,196	2,159,878
Interfund Transfers	24,175,881	25,991,819
Short Term Debt Service	<u>330,000</u>	<u>0</u>
 Total Expenditures	 \$ 179,691,456	 \$ 187,877,150

Source: Adopted Budgets of the County

**THIS PAGE INTENTIONALLY LEFT BLANK**

**APPENDIX C**

**LINK TO  
INDEPENDENT AUDITORS' REPORT  
THEREON FOR THE FISCAL  
YEAR ENDED DECEMBER 31, 2016**

**Can be accessed on the Electronic Municipal Market Access (“EMMA”) website  
of the Municipal Securities Rulemaking Board (“MSRB”)  
at the following link:**

<https://emma.msrb.org/EP1021770-EP791729-EP1193330.pdf>

**The audited financial statements referenced above are hereby incorporated into the  
attached Official Statement.**

**\* Such Financial Statements and opinion are intended to be representative only as of the  
date thereof. Drescher & Malecki LLP has not been requested by the County to further  
review and/or update such Financial Statements or opinion in connection with the  
preparation and dissemination of this Official Statement.**

**THIS PAGE INTENTIONALLY LEFT BLANK**

**APPENDIX D**

**FORMS OF BOND COUNSEL'S OPINIONS**

**THIS PAGE INTENTIONALLY LEFT BLANK**



FORM OF BOND COUNSEL'S OPINION - BONDS

May 15, 2018

County of Sullivan,  
State of New York

County of Sullivan, New York  
\$15,140,000 Public Improvement (Serial) Bonds, 2018

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of \$15,140,000 Public Improvement (Serial) Bonds, 2018 (the "Obligations"), of the County of Sullivan, New York (the "Obligor"), dated May 15, 2018, initially issued in registered form in denominations such that one bond shall be issued for each maturity of bonds in such amounts as hereinafter set forth, bearing interest at the rate of \_\_\_ and \_\_\_ hundredths per centum (\_\_\_%) per annum, payable on November 15, 2018 and semi-annually thereafter on May 15 and November 15 and maturing in the amount of \$\_\_\_\_\_ on May 15, 2019, \$\_\_\_\_\_ on May 15, 2020, \$\_\_\_\_\_ on May 15, 2021, \$\_\_\_\_\_ on May 15, 2022, \$\_\_\_\_\_ on May 15, 2023, \$\_\_\_\_\_ on May 15, 2024, \$\_\_\_\_\_ on May 15, 2025, \$\_\_\_\_\_ on May 15, 2026, \$\_\_\_\_\_ on May 15, 2027, \$\_\_\_\_\_ on May 15, 2028, \$\_\_\_\_\_ on May 15, 2029, \$\_\_\_\_\_ on May 15, 2030, \$\_\_\_\_\_ on May 15, 2031, \$\_\_\_\_\_ on May 15, 2032, \$\_\_\_\_\_ on May 15, 2033, \$\_\_\_\_\_ on May 15, 2034, \$\_\_\_\_\_ on May 15, 2035, \$\_\_\_\_\_ on May 15, 2036, \$\_\_\_\_\_ on May 15, 2037, and \$\_\_\_\_\_ on May 15, 2038.

The Obligations maturing on or before May 15, 2026 will not be subject to redemption prior to maturity. The Obligations maturing on May 15, 2027, and thereafter, will be subject to redemption prior to maturity, at the option of the obligor, in whole or in part, and if in part, in any order of their maturity and in any amount within a maturity (selected by lot within a maturity) on any date on or after May 15, 2026 at par plus accrued interest to the redemption date.

We have examined:

- (1) the Constitution and statutes of the State of New York;
- (2) the Internal Revenue Code of 1986, including particularly Sections 103 and 141 and 150 thereof, and the applicable regulations of the United States Treasury Department promulgated thereunder (collectively, the "Code");
- (3) an arbitrage certificate executed on behalf of the Obligor which includes, among other things, covenants, relating to compliance with the Code, with the owners of the Obligations that the Obligor will, among other things, (i) take all actions on its part necessary to cause interest on the Obligations not to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Obligations and investment earnings thereon, making required payments to the Federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (ii) refrain from taking any action which would cause interest on the Obligations to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, refraining from spending the proceeds of the Obligations and investment earnings thereon on certain specified purposes (the "Arbitrage Certificate"); and
- (4) a certificate executed on behalf of the Obligor which includes, among other things, a statement that compliance with such covenants is not prohibited by, or violative of, any provision of local or special law, regulation or resolution applicable to the Obligor.

We also have examined a certified copy of proceedings of the finance board of the Obligor and other proofs authorizing and relating to the issuance of the Obligations, including the form of the Obligations. In rendering the opinions expressed herein we have assumed (i) the accuracy and truthfulness of all public records, documents and proceedings, including factual information, expectations and statements contained therein, examined by us which

have been executed or certified by public officials acting within the scope of their official capacities, and have not verified the accuracy or truthfulness thereof, and (ii) compliance by the Obligor with the covenants contained in the Arbitrage Certificate. We also have assumed the genuineness of the signatures appearing upon such public records, documents and proceedings and the certifications thereof.

In our opinion:

- (a) The Obligations have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the Obligor. All the taxable real property within which is subject to the levy of ad valorem taxes to pay the Obligations and interest thereon, subject to applicable statutory limitations; provided, however, that the enforceability (but not the validity) of the Obligations: (i) may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights, and (ii) may be subject to the exercise of judicial discretion in appropriate cases.
- (b) The Obligor has the power to comply with its covenants with respect to compliance with the Code as such covenants relate to the Obligations; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights.
- (c) Interest on the Obligations is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Interest on the Obligations is not a specific preference item for purposes of the federal individual alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Obligations.

Certain agreements, requirements and procedures contained or referred to in the Arbitrage Certificate and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Obligations) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Obligations has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Arbitrage Certificate, including without limitation covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Obligations to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Obligations and the Arbitrage Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against municipal corporations such as the Obligor in the State of New York. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, or waiver provisions contained in the foregoing documents.

The scope of our engagement in relation to the issuance of the Obligations has extended solely to the examination of the facts and law incident to rendering the opinions expressed herein. Such opinions are not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the Obligor, together with other legally available sources of revenue, if any, will be sufficient to enable the Obligor to pay the principal of or interest on the Obligations as the same respectively become due and payable. Reference should be made to the Official Statement prepared by the Obligor in relation to the Obligations for factual information which, in the judgment of the Obligor, could materially affect the ability of the

Obligor to pay such principal and interest. While we have participated in the preparation of such Official Statement, we have not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, we express no opinion as to whether the Obligor, in connection with the sale of the Obligations, has made any untrue statement of a material fact or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

Very truly yours,

/s/ Orrick, Herrington & Sutcliffe LLP

**THIS PAGE INTENTIONALLY LEFT BLANK**

FORM OF BOND COUNSEL'S OPINION - NOTES

May 15, 2018

County of Sullivan,  
State of New York

County of Sullivan, New York  
\$3,870,000 Bond Anticipation Notes, 2018

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of \$3,870,000 Bond Anticipation Notes, 2018 (the "Obligation"), of the County of Sullivan New York (the "Obligor"), dated May 15, 2018, numbered \_\_\_\_\_, of the denomination of \$[\_\_\_\_\_], bearing interest at the rate of [\_\_\_\_\_] % per annum, payable at maturity, and maturing May 15, 2019.

We have examined:

- (1) the Constitution and statutes of the State of New York;
- (2) the Internal Revenue Code of 1986, including particularly Sections 103 and 141 through 150 thereof, and the applicable regulations of the United States Treasury Department promulgated thereunder (collectively, the "Code");
- (3) an arbitrage certificate executed on behalf of the Obligor which includes, among other things, covenants, relating to compliance with the Code, with the owners of the Obligation that the Obligor will, among other things, (i) take all actions on its part necessary to cause interest on the Obligation not to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Obligations and investment earnings thereon, making required payments to the Federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (ii) refrain from taking any action which would cause interest on the Obligations to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, refraining from spending the proceeds of the Obligation and investment earnings thereon on certain specified purposes (the "Arbitrage Certificate"); and
- (4) a certificate executed on behalf of the Obligor which includes, among other things, a statement that compliance with such covenants is not prohibited by, or violative of, any provision of local or special law, regulation or resolution applicable to the Obligor.

We also have examined a certified copy of proceedings of the finance board of the Obligor and other proofs authorizing and relating to the issuance of the Obligation, including the form of the Obligation. In rendering the opinions expressed herein we have assumed (i) the accuracy and truthfulness of all public records, documents and proceedings, including factual information, expectations and statements contained therein, examined by us which have been executed or certified by public officials acting within the scope of their official capacities, and have not verified the accuracy or truthfulness thereof, and (ii) compliance by the Obligor with the covenants contained in the Arbitrage Certificate. We also have assumed the genuineness of the signatures appearing upon such public records, documents and proceedings and the certifications thereof.

In our opinion:

- (a) The Obligations have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the Obligor for which the Obligor has validly pledged its faith and credit for the payment thereof. All the taxable real property within the Obligor is subject to the levy of ad valorem taxes to pay the Obligation and interest thereon, subject to applicable statutory limitations, provided, however, the enforceability (but not the validity) of the Obligations: (i) may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights, and (ii) may be subject to the exercise of judicial discretion in appropriate cases.

- (b) The Obligor has the power to comply with its covenants with respect to compliance with the Code as such covenants relate to the Obligations; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights.
- (c) Interest on the Obligations is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Interest on the Obligations is not a specific preference item for purposes of the federal individual alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Obligations.

Certain agreements, requirements and procedures contained or referred to in the Arbitrage Certificate and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Obligations) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Obligations has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Arbitrage Certificate, including without limitation covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Obligations to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Obligations and the Arbitrage Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against municipal corporations such as the Obligor in the State of New York. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, or waiver provisions contained in the foregoing documents.

The scope of our engagement in relation to the issuance of the Obligations has extended solely to the examination of the facts and law incident to rendering the opinions expressed herein. Such opinions are not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the Obligor, together with other legally available sources of revenue, if any, will be sufficient to enable the Obligor to pay the principal of or interest on the Obligations as the same respectively become due and payable. Reference should be made to the Official Statement prepared by the Obligor in relation to the Obligations for factual information which, in the judgment of the Obligor, could materially affect the ability of the Obligor to pay such principal and interest. While we have participated in the preparation of such Official Statement, we have not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, we express no opinion as to whether the Obligor, in connection with the sale of the Obligations, has made any untrue statement of a material fact or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

Very truly yours,

/s/ Orrick, Herrington & Sutcliffe LLP