

**Sullivan County Tobacco Asset  
Securitization Corporation**  
(A Blended Component Unit of the  
County of Sullivan, New York)

Financial Statements

Year Ended December 31, 2014

## Independent Auditors' Report

**The Board of Directors of the Sullivan County  
Tobacco Asset Securitization Corporation**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Sullivan County Tobacco Asset Securitization Corporation ("STASC"), a blended component unit of the County of Sullivan, New York, as of and for the year ended December 31, 2014, and the related notes to the financial statements.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the STASC as of December 31, 2014, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

O'CONNOR DAVIES, LLP

500 Mamaroneck Avenue, Suite 301, Harrison, NY 10528 | Tel: 914.381.8900 | Fax: 914.381.8910 | [www.odpkf.com](http://www.odpkf.com)

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### ***Emphasis of Matters***

We draw attention to Note 1 in the notes to financial statements that indicates that these financial statements present only the STASC and do not purport to, and do not present fairly the financial position of the County of Sullivan, New York as of December 31, 2014 and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We further draw attention to Note 5 in the notes to financial statements which discusses that the only significant resource of the STASC is the right to receive tobacco revenues. A reduction in these revenues would affect debt service coverage on the bonds. If the reduction were material, it could impair the ability of the STASC to make flexible principal payments or even its ability to pay required maturities as they are due. As a result, actual payments may not conform to either the required maturities or the flexible maturity payments schedules.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2015 on our consideration of the STASC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the STASC's internal control over financial reporting and compliance.

#### ***Report on Other Legal and Regulatory Requirements***

We have also issued our report dated March 3, 2015 on our consideration of the STASC's compliance with Section 2925(3)(f) of the New York State Public Authorities Law ("Law"). The purpose of that report is to describe the scope and results of our tests of compliance with the Law.

*O'Connor Davies, LLP*

O'Connor Davies, LLP  
Harrison, New York  
March 3, 2015

**Sullivan County Tobacco Asset  
Securitization Corporation**

(A Blended Component Unit of the County of Sullivan, New York)  
Management's Discussion and Analysis (MD&A)  
December 31, 2014

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**Introduction**

As management of the Sullivan Tobacco Asset Securitization Corporation ("STASC"), we offer readers of the STASC's financial statements this narrative overview and analysis of the financial activities of the STASC for the fiscal year ended December 31, 2014. It should be read in conjunction with the financial statements, which immediately follow this section, to enhance understanding of the STASC's financial performance.

**Financial Highlights**

On the statement of net position, the liabilities of the STASC exceeded its assets at the close of the most recent fiscal year, resulting in a deficit of \$9,729,118. The deficit was decreased by \$614,169, due to the amount recognized for Tobacco Settlement Revenues ("TSR's") of \$1,284,271 less operating expenses of \$29,175 and non-operating net interest expense of \$640,927.

- ❖ The Governmental Accounting Standards Board ("GASB") issued Technical Bulletin 2004-1, "*Tobacco Settlement Recognition and Financial Reporting Entity Issues*", as amended and/or superseded by GASB Statement No. 48, "*Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*", which clarified certain asset and revenue recognition criteria. Prior to the issuance of this guidance, the STASC had recognized as a receivable/revenue the present value of the future tobacco revenue stream. The new guidance required a reversal of this position, in that it promulgated that TSR's and the related asset only be recognized when the event giving rise to recognition (i.e. the shipment of cigarettes) occurs. Because annual TSR payments are based on cigarette sales from the preceding calendar year, the STASC was prohibited from recognizing this future revenue stream as a receivable. Accordingly, the only revenue recognition allowed was for TSR payments to be received in the immediately succeeding fiscal year, as these payments were based on cigarette shipments in the year under audit. This had the effect of deferring revenue recognition, which results in the deficit position reflected on the statement of net position. Over time, as TSR payments are received and the bonded indebtedness is retired, the deficit will be reduced.

**Financial Statements**

The *statement of net position* presents information on the STASC's assets and liabilities, with the difference between the two reported as *net position*. The *statement of revenues, expenses and changes in net position* presents information showing how the STASC's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (for example, accounts receivable and accrued interest payable).

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the statement of net position and the statement of revenues, expenses and changes in net position. The notes to financial statements are located beginning on page 8 of this report.

## **Financial Analysis**

Net position increased by \$614,169 in 2014, compared with an increase of \$378,243 in 2013, a difference of \$235,926. Interest expenses and operating expenses decreased by \$26,727 while the recognition of tobacco settlement revenues increased \$209,150.

## **Debt Administration**

At the end of the current fiscal year, the STASC had total gross bonded debt outstanding of \$12,390,000. STASC was able to make a flexible maturities payment of \$555,000, and to date has made principal payments of \$4,575,000.

Additional information on the STASC's long-term debt can be found in Note 3 in the notes to financial statements.

## **Economic Factors**

The bonds are payable only from the assets of the STASC. STASC's only source of funds for payments on the bonds is the collections of TSR's and amounts on deposit in pledged accounts (i.e. liquidity and debt service reserve accounts) pursuant to the indenture. If a participating manufacturer becomes a debtor in a bankruptcy case and defaults in making payments or cigarette consumption declines, funds available to STASC to pay bondholders may be reduced or eliminated.

## **Requests for Information**

This financial report is designed to provide a general overview of the STASC's finances for all those with an interest in those finances. Questions and comments concerning any of the information provided in this report should be addressed to Janet Young, President of the STASC, 100 North Street, Monticello, New York 12701.

**Sullivan County Tobacco Asset Securitization Corporation**  
(A Blended Component Unit of the County of Sullivan, New York)

Statement of Net Position  
December 31, 2014

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**ASSETS**

Current assets

Cash and equivalents	\$ 243,142
Tobacco settlement receivable	1,134,910
Prepaid expenses	<u>3,357</u>
Total Current Assets	<u>1,381,409</u>

Noncurrent assets

Restricted cash and equivalents	109
Restricted investments	<u>1,242,547</u>
Total Noncurrent Assets	<u>1,242,656</u>

Total Assets	<u>2,624,065</u>
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**LIABILITIES**

Current liabilities

Accrued liabilities	58,817
Current maturities of bonds payable	<u>165,000</u>
Total Current Liabilities	223,817

Noncurrent liabilities

Bonds payable, net of current maturities	<u>12,129,366</u>
Total Liabilities	<u>12,353,183</u>

**NET POSITION**

Unrestricted	<u>\$ (9,729,118)</u>
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See notes to financial statements.

**Sullivan County Tobacco Asset Securitization Corporation**  
(A Blended Component Unit of the County of Sullivan, New York)

Statement of Revenues, Expenses and Changes in Net Position  
Year Ended December 31, 2014

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<b>OPERATING REVENUES</b>	
Tobacco settlement revenues	<u>\$ 1,284,271</u>
<b>OPERATING EXPENSES</b>	
Professional fees	24,968
Insurance expense	<u>4,207</u>
Total Operating Expenses	<u>29,175</u>
Income from Operations	<u>1,255,096</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest income	84,767
Interest expense	<u>(725,694)</u>
Total Non-Operating Expenses	<u>(640,927)</u>
Change in Net Position	614,169
<b>NET POSITION</b>	
Beginning of year	<u>(10,343,287)</u>
End of year	<u><u>\$ (9,729,118)</u></u>

See notes to financial statements.

**Sullivan County Tobacco Asset Securitization Corporation**  
(A Blended Component Unit of the County of Sullivan, New York)

Statement of Cash Flows  
Year Ended December 31, 2014

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<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from tobacco settlement revenues	\$ 1,229,861
Cash paid to vendors	<u>(28,996)</u>
Net Cash from Operating Activities	<u>1,200,865</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of restricted investments	(1,242,547)
Sale of restricted investments	1,242,547
Interest income	<u>84,767</u>
Net Cash from Investing Activities	<u>84,767</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Repayment of bonds payable	(555,000)
Interest paid	<u>(720,761)</u>
Net Cash from Non-Capital Financing Activities	<u>(1,275,761)</u>
Net Change in Cash and Equivalents	9,871
<b>CASH AND EQUIVALENTS</b>	
Beginning of year	<u>233,271</u>
End of year	<u><u>\$ 243,142</u></u>
<b>RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES</b>	
Income from operations	\$ 1,255,096
Adjustments to reconcile income from operations to net cash from operating activities	
Changes in assets and liabilities	
Tobacco settlement receivable	(54,410)
Prepaid expenses	<u>179</u>
Net Cash from Operating Activities	<u><u>\$ 1,200,865</u></u>
<b>NONCASH INVESTING ACTIVITIES</b>	
Increase in bonds payable from amortization of original issue and underwriters discounts	\$ 7,592

See notes to financial statements.



**Sullivan County Tobacco Asset Securitization Corporation**  
(A Blended Component Unit of the County of Sullivan, New York)

Notes to Financial Statements  
December 31, 2014

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**Note 1 - Nature of Business and Summary of Significant Accounting Principles**

**Nature of Business**

The Sullivan County Tobacco Asset Securitization Corporation ("STASC") is a special purpose, bankruptcy-remote local development corporation. STASC was organized under the provisions of Section 1411 of the New York State Not-For-Profit Corporation Law and pursuant to the Public Authorities Law of the State of New York. The Board of Directors of STASC consists of five members; the County Manager, the County's Commissioner of Financial Management, the Chairman of the County's Board of Legislators, the Majority Leader of the County's Board of Legislators and the Minority Leader of the County's Board of Legislators.

An agreement among the attorneys general of 46 states and various territories ("Settling States") and the four largest United States tobacco manufacturers was entered into on November 23, 1998. The agreement, known as the Master Settlement Agreement ("MSA"), resolved cigarette smoking-related litigation between the Settling States and U.S. Tobacco manufacturers. Pursuant to the MSA, the Settling States and the participating manufacturers agreed to settle all past, present and future smoking related claims in exchange for an agreement by the participating manufacturers to make certain payments. Under the MSA, the State of New York is entitled to receive approximately 12.76% of the initial and annual payments. The New York Consent Decree, which was entered into in the Supreme Court of the State of New York for the County of New York in December 1998, allocated 0.155% of this State-wide share of the initial and annual payments to the County of Sullivan, New York ("County") and the remainder among the State, the City of New York and all other counties within the State.

During 2001, the County sold all of its future rights, title and interest to receive payments under the MSA and the Consent Decree to STASC for \$15,047,000. The debt issued by STASC to securitize these revenues is not considered debt of the County and is secured only by future tobacco settlement payments.

**Entity Definition**

Based on the guidance provided by Governmental Accounting Standards Board ("GASB") Technical Bulletin No. 2004-1, *"Tobacco Settlement Recognition and Financial Reporting Entity Issues"*, as amended and/or superseded by GASB Statement No. 48, *"Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues"*, the STASC is reported as a blended component unit of the County in its financial statements.

**Basis of Presentation**

A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, liabilities, net position, revenues and expenses. The accounts of the STASC are maintained on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The STASC applies all applicable Financial Accounting Standards Board guidance issued after November 30, 1989 in accounting for and reporting on its operations.

**Sullivan County Tobacco Asset Securitization Corporation**  
(A Blended Component Unit of the County of Sullivan, New York)

Notes to Financial Statements (Continued)  
December 31, 2014

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**Note 1 - Nature of Business and Summary of Significant Accounting Principles (Continued)**

The accompanying financial statements present only the activities of the STASC and do not purport to, and do not, present fairly the financial position of the County as of December 31, 2014 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Cash and Equivalents**

Cash and equivalents consist of demand deposit accounts, time deposit accounts, money market accounts and certificates of deposit with original maturities of three months or less.

**Restricted Cash and Equivalents and Investments**

The terms of the bond indenture provide for the establishment of a liquidity reserve. The reserve has been established at the maximum annual debt service requirements in the current and any future fiscal year, assuming principal is paid in accordance with the requirements of the indenture.

The terms of the bond indenture also provide for the establishment of a trapping account. Following the occurrence of a trapping event, amounts that otherwise would have been paid on the residual certificate to the County will be deposited in the trapping account and will be restricted to pay interest, required amortization payments and flexible amortization payments, in such order, to the extent collections or other available amounts are insufficient for such purposes.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

As of December 31, 2014, no amounts were required to be reported as deferred outflows/inflows of resources.

**Tax Status**

The STASC is exempt from federal income tax under Section 501 (a) of the Internal Revenue Code as a 501(c)(3) organization.

**Sullivan County Tobacco Asset Securitization Corporation**  
(A Blended Component Unit of the County of Sullivan, New York)

Notes to Financial Statements (Continued)  
December 31, 2014

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**Note 1 - Nature of Business and Summary of Significant Accounting Principles (Continued)**

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Subsequent Events Evaluation by Management**

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is March 3, 2015.

**Note 2 - Restricted Investments**

Restricted investments at December 31, 2014 consisted of the following:

Commercial paper, at cost, which approximates fair value, due in June 2015	<u>\$ 1,242,547</u>
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**Note 3 - Bonds Payable**

STASC issued bonds on August 8, 2001 to finance the purchase of the tobacco rights from the County and the related costs of issuance. The bonds were issued for \$16,767,617, net of original issue discount of \$197,383, and bear interest at rates ranging from 5.00% to 6.00%, depending on maturity. A payment schedule, based upon flexible maturities, is as follows:

**Sullivan County Tobacco Asset Securitization Corporation**  
(A Blended Component Unit of the County of Sullivan, New York)

Notes to Financial Statements (Concluded)  
December 31, 2014

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**Note 3 - Bonds Payable (Continued)**

Year Ending December 31,	Principal	Interest	Total
2015	\$ 965,000 *	\$ 678,656	\$ 1,643,656
2016	615,000	633,853	1,248,853
2017	645,000	598,059	1,243,059
2018	820,000	556,856	1,376,856
2019	865,000	509,466	1,374,466
2020 and thereafter	<u>8,480,000</u>	<u>1,998,338</u>	<u>10,478,338</u>
	12,390,000	<u>\$ 4,975,228</u>	<u>\$ 17,365,228</u>
Unamortized Original Issue Discount	<u>(95,634)</u>		
	<u>\$ 12,294,366</u>		

\*Principal assumes "catch up" payment is made June 1, 2015.

The required principal payments are as follows:

Year Ending December 31,	Amount
2015	\$ 165,000
2016	190,000
2017	210,000
2018	360,000
2019	390,000
2020 and thereafter	<u>11,075,000</u>
	<u>\$ 12,390,000</u>

**Note 4 - Trapping Event**

In accordance with the terms of the Series 2001 bond indenture a "Consumption Decline Trapping Event" occurs when the shipment of tobacco products (cigarettes) within the United States and outlying territories falls below a specific amount for the current year. During 2013, the shipments of tobacco products (cigarettes) had fallen below these allowable thresholds and accordingly, a consumption decline trapping event occurred. The indenture requires that, upon the occurrence of this event, 25% of the principal amount outstanding on the bonds be accumulated in a special account until two year after the end of the consumption decline trapping event or three years after the end of a consumption decline longer than two years.

**Sullivan County Tobacco Asset Securitization Corporation**  
(A Blended Component Unit of the County of Sullivan, New York)

Notes to Financial Statements (Concluded)  
December 31, 2014

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**Note 5 - Significant Contingencies**

The enforceability of the rights and remedies of the State (and thus the bondholders) and of the obligations of a participating manufacturer under the MSA are subject to the Bankruptcy Code and the other applicable insolvency, moratorium or similar laws relating to or affecting the enforcement of creditors' rights. Some of the risks include risks of delay in or reduction of amounts of payment or of non-payment under the MSA and the risk that the State (and thus the County and/or STASC) may be stayed for an extended time from enforcing any rights under the MSA and the Consent Decree or with respect to the payments owed by the bankrupt participating manufacturer or from commencing legal proceedings against the bankrupt participating manufacturer. As a result, if a participating manufacturer becomes a debtor in a bankruptcy case and defaults in making payment, funds available to STASC to pay bondholders may be reduced or eliminated. The bonds are payable only from the assets of STASC. The bonds are neither legal nor moral obligations of the County or the State of New York, and no recourse may be had thereto for payment of amounts owing on the bonds. STASC's only source of funds for payments on the bonds is the collections and amounts on deposit in pledged accounts pursuant to the indenture. STASC has no taxing power and no significant assets other than the rights to receive tobacco settlement revenues.

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**Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in Accordance  
With Government Auditing Standards**

**Independent Auditors' Report**

**The Board of Directors of the  
Sullivan County Tobacco Asset Securitization Corporation**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Sullivan County Tobacco Asset Securitization Corporation, New York ("STASC") as of and for the year ended December 31, 2014, and the related notes to the financial statements and have issued our report thereon dated March 3, 2015.

**Internal Control Over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

*O'Connor Davies, LLP*

**O'Connor Davies, LLP**  
Harrison, New York  
March 3, 2015

**Independent Accountants' Report on Compliance with Section 2925(3)(f)  
of the New York State Public Authorities Law**

**The Board of Directors of the  
Sullivan County Tobacco Asset Securitization Corporation**

We have examined the Sullivan County Tobacco Asset Securitization Corporation's ("STASC") compliance with Section 2925(3)(f) of the New York State Public Authorities Law during the year ended December 31, 2014. Management is responsible for the STASC's compliance with those requirements. Our responsibility is to express an opinion on the STASC's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included examining on a test basis evidence supporting the STASC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the STASC's compliance with specified requirements.

In our opinion, the STASC complied, in all material respects, with the aforementioned requirements during the year ended December 31, 2014.

This report is intended solely for the information and use of management and the Board of Directors. It is not intended to be and should not be used by anyone other than these specified parties.

*O'Connor Davies, LLP*

**O'Connor Davies, LLP**  
Harrison, New York  
March 3, 2015