

**MINUTES  
FOR THE MEETING OF THE  
SOLE MEMBER  
/ AUDIT COMMITTEE / GOVERNANCE COMMITTEE /  
BOARD OF DIRECTORS  
OF  
ROCKLAND SECOND TOBACCO ASSET SECURITIZATION CORPORATION  
MEETING – JUNE 23, 2020 at 5:30 P.M.**

**1. Meeting of the Sole Member**

In Attendance: Edwin J. Day, Sole Member

Others in Attendance: Michael Gamboli, Director  
Mark Rothenberg, Independent Director  
Wilbur Aldridge, Director  
C. Scott Vanderhoef, Director  
Stephen DeGroat, Director  
Brian J. Quinn, Esq., Counsel  
Deborah A. Capezzuto, Secretary

*The Meeting was held via teleconference due to the Governor's Executive Order No., 202.1 dated March 12, 2020 which suspended the Open Meetings Law due to the Covid -19 pandemic.*

- Mr. Day opened the Meeting.
- Secretary Capezzuto advised that the Notice of Meeting had been posted and sent to the newspaper in compliance with the Open Meetings Law.
- Mr. Day indicated that he signed the Consent to Waiver of Notice of Meeting.
- Mr. Day reviewed and accepted the Minutes of the Meeting of the Sole Member held on March 24, 2020.
- Mr. Day asked if there was any other business. No further was business to be transacted.
- Mr. Day asked if there was any public comment. There was no public comment.
- Mr. Day closed the Meeting of the Sole Member.

## 1. Meeting of the Audit Committee

Committee Members: Michael Gamboli, Chairman  
Stephen DeGroat, Member  
C. Scott Vanderhoef, Member

Others in Attendance: Edwin J. Day, Sole Member  
Mark Rothenberg, Independent Director  
Wilbur Aldridge, Director  
Brian J. Quinn, Esq., Counsel  
Deborah A. Capezzuto, Secretary

*The Meeting was held via teleconference due to the Governor's Executive Order No., 202.1 dated March 12, 2020 which suspended the Open Meetings Law due to the Covid -19 pandemic.*

- Chairman Gamboli opened the Meeting and confirmed that all Members are present.
- Secretary Capezzuto advised that the Notice of Meeting had been posted and sent to the newspaper in compliance with the Open Meetings Law.
- Chairman Gamboli inquired whether the Members in attendance have signed the Consent to Waiver of Notice of Meeting. All members indicated they had signed the Waivers.
- Chairman Gamboli inquired whether the Committee had reviewed the Minutes of the Committee Meeting held on March 24, 2020. Motion to accept the Minutes by Director DeGroat; Seconded by Director Vanderhoef; All in Favor; Motion Carried.
- Report of the Treasurer. Motion to defer the Report of the Treasurer to the Meeting of the Board of Directors. Motion by Director Vanderhoef; Seconded by Director DeGroat; All in Favor; Motion Carried.
- Chairman Gamboli asked if there was any other business. No other business was transacted at the meeting.
- Chairman Gamboli asked if there was any public comment. There was no public comment.
- Motion to close the Meeting of the Committee. Motion by Director DeGroat; Seconded by Director Vanderhoef; All in Favor; Motion Carried.

## 2. Meeting of the Governance Committee

Committee Members: C. Scott Vanderhoef, Chairman  
Mark Rothenberg, Member  
Wilbur Aldridge, Director

Others in Attendance: Edwin J. Day, Sole Member  
Stephen DeGroat, Director  
Michael Gamboli, Director  
Brian J. Quinn, Esq., Counsel  
Deborah A. Capezzuto, Secretary

*The Meeting was held via teleconference due to the Governor's Executive Order No., 202.1 dated March 12, 2020 which suspended the Open Meetings Law due to the Covid -19 pandemic.*

- Chairman Vanderhoef called the roll of members. All members were present.
- Chairman Vanderhoef opened the Meeting.
- Secretary Capezzuto advised that the Notice of Meeting had been posted and sent to the newspaper in compliance with the Open Meetings Law.
- The Directors in attendance indicated that they had signed the Consent to Waiver of Notice of Meeting.
- The Committee reviewed and accepted for filing the Minutes of the Committee Meeting held on March 24, 2020. Motion by Director Aldridge; Seconded by Director Rothenberg; All in Favor; Motion Carried.
- Chairman Vanderhoef asked if there was any other business at the Meeting. No other business was transacted at the meeting.
- Chairman Vanderhoef asked if there was any public comment. There was no public comment.
- Motion to close the Meeting of the Committee. Motion by Director Rothenberg; Seconded by Director Aldridge; All in Favor; Motion Carried.

### 3. Meeting of the Board of Directors

Directors: Stephen DeGroat, Director  
Michael Gamboli, Director and Treasurer  
Mark Rothenberg, Independent Director  
C. Scott Vanderhoef, Director and President  
Wilbur Aldridge, Director

Others in Attendance: Edwin J. Day, Sole Member  
Brian J. Quinn, Esq., Counsel  
Deborah A. Capezzuto, Secretary

*The Meeting was held via teleconference due to the Governor's Executive Order No., 202.1 dated March 12, 2020 which suspended the Open Meetings Law due to the Covid -19 pandemic.*

- Secretary Capezzuto called the roll of members. All members were present.
- President Vanderhoef opened the Meeting.
- Secretary Capezzuto advised that the Notice of Meeting had been posted and sent to the newspaper in compliance with the Open Meetings Law.
- The Directors in attendance indicated that they had signed the Consent to Waiver of Notice of Meeting.
- The Board reviews and accepts for filing the Minutes of the Meeting held on March 24, 2020. Motion by Director Gamboli; Seconded by Director Rothenberg; All in Favor; Motion Carried.
- Report of the Treasurer. Treasurer Gamboli explained that he was unable to give the report without the information available. The independent audited financial statements by Drescher & Malecki for the year ending December 31, 2019 showed a clean audit report and opinion. At year end the Corporation had \$852,850 in cash.

Motion to defer the Treasurer's Report until the September meeting. Motion by Director Gamboli; Seconded by Director Rothenberg; All in Favor; Motion Carried.

- Motion to accept the audited financial report of the Corporation for the year ending December 31, 2019. Motion by Director Aldridge; Seconded by Director DeGroat; All in Favor; Motion Carried.

- Ratify, confirm and approve all corporate actions previously taken by the Board of Directors and Officers. Motion by Director Rothenberg; Seconded by Director DeGroat; All in Favor; Motion Carried.
- Authorize the Directors and Officers to do all things necessary or advisable and proper to carry on the business of the Corporation. Motion by Director Aldridge; Seconded by Director Gamboli; All in Favor; Motion Carried.
- President Vanderhoef asked Secretary Capezzuto and Counsel Quinn if there was any other business. No other business was transacted at the meeting.
- President Vanderhoef asked if there was public comment. There was no public comment.
- Tentative date for next meeting of the Corporation: September 22, 2020 at 5:30 P.M.
- Motion to close the Meeting of the Board. Motion by Director Aldridge; Seconded by Director Rothenberg; All in Favor; Motion Carried.

Approved by the Board of Directors at the  
Meeting held on September 22, 2020.

  
Deborah A. Capezzuto  
Secretary to the Board

Attachments: Audited Financial Statements for the Years Ended December 31, 2019 and 2018  
Independent Auditors' Report  
Independent Auditors' Report on Compliance with Section 2925(3)(f) of the  
New York State Public Authorities Law

**ROCKLAND SECOND  
TOBACCO ASSET SECURITIZATION  
CORPORATION**

*(A Component Unit of the County of Rockland, New York)  
Basic Financial Statements and Required  
Supplementary Information for the  
Years Ended December 31, 2019 and 2018  
and Independent Auditors' Reports*

**ROCKLAND SECOND TOBACCO ASSET SECURITIZATION CORPORATION**  
**(A COMPONENT UNIT OF THE COUNTY OF ROCKLAND, NEW YORK)**

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**Years Ended December 31, 2019 and 2018**

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*Certified Public Accountants*

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Rockland Second Tobacco Asset Securitization Corporation

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

We have audited the accompanying financial statements of the business-type activities of Rockland Second Tobacco Asset Securitization Corporation ("RSTASC"), a component unit of the County of Rockland, New York, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise RSTASC's basic financial statements as listed in the table of contents.

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

RSTASC's 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 an opinion on these financial statements based on our audits. We conducted our audits 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and 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 respective financial position of the business-type activities of RSTASC, as of December 31, 2019 and 2018, and the respective changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2020 on our consideration of RSTASC'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 solely 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 effectiveness of RSTASC's 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 RSTASC's internal control over financial reporting and compliance.

*Drescher + Malecki LLP*

March 13, 2020

**ROCKLAND SECOND TOBACCO ASSET SECURITIZATION CORPORATION**  
**(A Component Unit of the County of Rockland, New York)**  
**Management's Discussion and Analysis**  
**Years Ended December 31, 2019 and 2018**

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As management of the Rockland Second Tobacco Asset Securitization Corporation ("RSTASC"), a blended component unit of the County of Rockland, New York (the "County"), we offer readers of RSTASC's financial statements this narrative overview and analysis of the financial activities of RSTASC for the fiscal year ended December 31, 2019 and 2018. This document should be read in conjunction with additional information that we have furnished in RSTASC's financial statements, which follow this narrative.

**Financial Highlights**

- RSTASC's liabilities exceeded the assets by \$405,455, representing net position at December 31, 2019. This compares to RSTASC's liabilities exceeding assets by \$809,558 at December 31, 2018.
- RSTASC's net position increased \$404,103 for the year ended December 31, 2019.
- RSTASC's total Tobacco Settlement Bonds decreased by \$500,000 as a result of principal payments made during the year ended December 31, 2019.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to RSTASC's basic financial statements. RSTASC's basic financial statements are comprised of two components: 1.) financial statements, and 2.) Notes to the financial statements.

**Financial Statements**

- The *Statement of Net Position* presents information on all of RSTASC's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as "net position". Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the RSTASC is improving or deteriorating.
- The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing how RSTASC's net position changed during the most recent reporting period. 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 result in cash flows in future periods.
- The *Statement of Cash Flows* presents information depicting RSTASC's cash flow activities for the most recent reporting period and the effect that these activities had on RSTASC's cash and cash equivalents balances.

The financial statements can be found on pages 9-11 of this report.

The *Notes to the Financial Statements* present additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found following the financial statements section of this report.

## Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of an entity's financial position. In the case of RSTASC, liabilities exceeded assets by \$405,455 at December 31, 2019, as compared to \$809,558 and \$1,332,851 at December 31, 2018 and 2017, respectively, as presented below in Table 1:

**Table 1—Condensed Statements of Net Position**

	December 31,	
	2019	2018
Current assets	\$ 1,496,698	\$ 1,584,477
Total assets	<u>1,496,698</u>	<u>1,584,477</u>
Current liabilities	11,975	14,475
Noncurrent liabilities	<u>1,890,178</u>	<u>2,379,560</u>
Total liabilities	<u>1,902,153</u>	<u>2,394,035</u>
Net position	\$ <u>(405,455)</u>	\$ <u>(809,558)</u>

	December 31,	
	2018	2017
Current assets	\$ 1,584,477	\$ 1,563,116
Total assets	<u>1,584,477</u>	<u>1,563,116</u>
Current liabilities	14,475	17,025
Noncurrent liabilities	<u>2,379,560</u>	<u>2,878,942</u>
Total liabilities	<u>2,394,035</u>	<u>2,895,967</u>
Net position	\$ <u>(809,558)</u>	\$ <u>(1,332,851)</u>

RSTASC's net position totals \$(405,455), \$(809,558), and \$(1,332,851) at December 31, 2019, 2018, and 2017, respectively.

At December 31, 2019, total assets were \$1,496,698 compared to \$1,584,477 and \$1,563,116 at December 31, 2018 and 2017, respectively. The largest asset held by RSTASC at December 31, 2019, 2018, and 2017 represents restricted cash and cash equivalents.

Total liabilities at December 31, 2019 were \$1,902,153 compared to \$2,394,035 and \$2,895,967 at December 31, 2018 and 2017, respectively. The largest portion of the liabilities was outstanding debt (net Tobacco Settlement Bonds) totaling \$1,890,178, \$2,379,560, and \$2,878,942 at December 31, 2019, 2018, and 2017, respectively.

During the current year, RSTASC's net position increased \$404,103 from the prior fiscal year for an ending net position of \$(405,455). Table 2 on the following page, shows the changes in net position for the years ended December 31, 2019, 2018, and 2017.

**Table 2—Changes in Net Position**

	Year Ended December 31,	
	2019	2018
Operating revenues	\$ 598,683	\$ 711,178
Operating expenses	<u>57,019</u>	<u>53,902</u>
Operating income	<u>541,664</u>	<u>657,276</u>
Nonoperating revenues (expenses):		
Interest income	14,257	48,085
Interest expense	<u>(151,818)</u>	<u>(182,068)</u>
Total nonoperating revenues (expenses)	<u>(137,561)</u>	<u>(133,983)</u>
Change in net position	404,103	523,293
Net position—beginning	<u>(809,558)</u>	<u>(1,332,851)</u>
Net position—ending	<u>\$ (405,455)</u>	<u>\$ (809,558)</u>
	Year Ended December 31,	
	2018	2017
Operating revenues	\$ 711,178	\$ 738,259
Operating expenses	<u>53,902</u>	<u>42,868</u>
Operating income	<u>657,276</u>	<u>695,391</u>
Nonoperating revenues (expenses):		
Interest income	48,085	24,321
Interest expense	<u>(182,068)</u>	<u>(211,168)</u>
Total nonoperating revenues (expenses)	<u>(133,983)</u>	<u>(186,847)</u>
Change in net position	523,293	508,544
Net position—beginning	<u>(1,332,851)</u>	<u>(1,841,395)</u>
Net position—ending	<u>\$ (809,558)</u>	<u>\$ (1,332,851)</u>

A summary of sources of revenues for the years ended December 31, 2019, 2018, and 2017 is presented below in Table 3.

**Table 3—Summary Source of Revenues**

	Year Ended December 31,		Increase/(Decrease)	
	2019	2018	Dollars	Percent (%)
Operating revenues:				
Tobacco settlement revenues	\$ 598,683	\$ 711,178	\$ (112,495)	(15.8)
Total operating revenues	<u>598,683</u>	<u>711,178</u>	<u>(112,495)</u>	(15.8)
Nonoperating revenues:				
Interest income	<u>14,257</u>	<u>48,085</u>	<u>(33,828)</u>	(70.4)
Total nonoperating revenues	<u>14,257</u>	<u>48,085</u>	<u>(33,828)</u>	(70.4)
Total revenues	<u>\$ 612,940</u>	<u>\$ 759,263</u>	<u>\$ (146,323)</u>	(19.3)
	Year Ended December 31,		Increase/(Decrease)	
	2018	2017	Dollars	Percent (%)
Operating revenues:				
Tobacco settlement revenues	\$ 711,178	\$ 737,888	\$ (26,710)	(3.6)
Other operating revenue	<u>-</u>	<u>371</u>	<u>(371)</u>	(100.0)
Total operating revenues	<u>711,178</u>	<u>738,259</u>	<u>(26,710)</u>	(3.7)
Nonoperating revenues:				
Interest income	<u>48,085</u>	<u>24,321</u>	<u>23,764</u>	97.7
Total nonoperating revenues	<u>48,085</u>	<u>24,321</u>	<u>23,764</u>	97.7
Total revenues	<u>\$ 759,263</u>	<u>\$ 762,580</u>	<u>\$ (3,317)</u>	(0.4)

Total revenues for the years ended December 31, 2019, 2018, and 2017 were \$612,940, \$759,263 and \$762,580, respectively. Total revenues for the years ended December 31, 2018, 2017 and 2016 consisted of \$598,683 (97.7 percent), \$711,178 (93.7 percent), and \$737,888 (96.8 percent), respectively, of tobacco settlement revenues, and \$14,257, \$48,085 and \$24,692, respectively, of interest income and other operating revenue.

A summary of expenses for the years ended December 31, 2019, 2018, and 2017 is presented below in Table 4.

**Table 4--Summary Source of Expenses**

	Year Ended December 31,		Increase/(Decrease)	
	2019	2018	Dollars	Percent (%)
Operating expenses:				
Directors' fees	\$ 13,000	\$ 13,000	\$ -	-
Professional fees	44,019	40,902	3,117	7.6
Total operating expenses	57,019	53,902	3,117	5.8
Nonoperating expenses:				
Interest expense	151,818	182,068	(30,250)	(16.6)
Total nonoperating expenses	151,818	182,068	(30,250)	(16.6)
Total expenses	\$ 208,837	\$ 235,970	\$ (27,133)	(11.5)
	Year Ended December 31,		Increase/(Decrease)	
	2017	2016	Dollars	Percent (%)
Operating expenses:				
Directors' fees	\$ 13,000	\$ 13,000	\$ -	-
Professional fees	29,868	19,960	9,908	49.6
Total operating expenses	42,868	32,960	9,908	30.1
Nonoperating expenses:				
Interest expense	211,168	257,126	(45,958)	(17.9)
Total nonoperating expenses	211,168	257,126	(45,958)	(17.9)
Transfer to County	-	50,000	(50,000)	(100.0)
Total expenses	\$ 254,036	\$ 340,086	\$ (86,050)	(25.3)

Total expenses for the years ended December 31, 2019, 2018, and 2017 were \$208,837, \$235,970 and \$254,036, respectively. Expenses for the years ended December 31, 2019, 2018, and 2017 primarily consisted of \$151,818 (72.7 percent), \$182,068 (77.2 percent), and \$211,168 (83.1 percent), respectively, of interest expense, and \$57,019 (27.3 percent), \$53,902 (22.8 percent), and \$42,868 (16.9 percent), of operating expenses.

A summary of cash flow activities for the years ended December 31, 2019, 2018, and 2017 is presented below in Table 5.

**Table 5—Summary of Cash Flow Activities**

	Year Ended December 31,		Increase/ (Decrease)
	2019	2018	Dollars
Cash flows provided (used) by:			
Operating activities	\$ 633,069	\$ 674,462	\$ (41,393)
Capital and related financing activities	25,182	48,885	(23,703)
Investing activities	(643,700)	(684,000)	40,300
Net increase (decrease) in cash and cash equivalents	14,551	39,347	(24,796)
Cash and cash equivalents—beginning	852,850	813,503	39,347
Cash and cash equivalents—ending	\$ 867,401	\$ 852,850	\$ 39,347
	Year Ended December 31,		Increase/ (Decrease)
	2018	2017	Dollars
Cash flows provided (used) by:			
Operating activities	\$ 674,462	\$ 630,097	\$ 44,365
Capital and related financing activities	48,885	24,321	24,564
Investing activities	(684,000)	(702,800)	18,800
Net increase (decrease) in cash and cash equivalents	39,347	(48,382)	87,729
Cash and cash equivalents—beginning	813,503	861,885	(48,382)
Cash and cash equivalents—ending	\$ 852,850	\$ 813,503	\$ (48,382)

Compared to December 31, 2018, total cash increased \$14,551 at December 31, 2019. A decrease in net cash used for investing activities coupled with a decrease in net cash used for operating represent the most significant changes from 2018.

### Debt Administration

**Long-Term Debt**—At the end of the current fiscal year, RSTASC had net Tobacco Settlement Bonds outstanding of \$1,890,178. During the years ended December 31, 2019 and 2018, RSTASC made principal payments of \$500,000 and \$510,000, respectively on its Tobacco Settlement Bonds. Additional information on RSTASC’s long-term debt can be found in Note 4 to the financial statements.

### Requests for Information

This financial report is designed to provide a general overview of RSTASC’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Rockland Second Tobacco Asset Securitization Corporation, c/o Commissioner of Finance, Rockland County, 18 New Hempstead Road, New City, New York 10956.

# BASIC FINANCIAL STATEMENTS

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**ROCKLAND SECOND TOBACCO ASSET SECURITIZATION CORPORATION**  
**(A Component Unit of the County of Rockland, New York)**  
**Statements of Net Position**  
**December 31, 2019 and 2018**

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	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 133,872	\$ 109,247
Restricted cash and cash equivalents	733,529	743,603
Interest receivable	-	10,925
Due from New York State	629,297	720,702
Total assets	1,496,698	1,584,477
 <b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	1,250	1,250
Accrued interest payable	10,725	13,225
Noncurrent liabilities:		
Tobacco Settlement Bonds, net	1,890,178	2,379,560
Total liabilities	1,902,153	2,394,035
 <b>NET POSITION</b>		
Restricted	733,529	743,603
Unrestricted	(1,138,984)	(1,553,161)
Total net position	\$ (405,455)	\$ (809,558)

The notes to the financial statements are an integral part of this statement.

**ROCKLAND SECOND TOBACCO ASSET SECURITIZATION CORPORATION**  
**(A Component Unit of the County of Rockland, New York)**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended December 31, 2019 and 2018**

	2019	2018
Operating revenues:		
Tobacco settlement revenue	\$ 598,683	\$ 711,178
Total operating revenue	598,683	711,178
Operating expenses:		
Directors' fees	13,000	13,000
Professional fees	44,019	40,902
Total operating expenses	57,019	53,902
Operating income	541,664	657,276
Nonoperating revenues (expenses):		
Interest income	14,257	48,085
Interest expense	(151,818)	(182,068)
Total nonoperating revenues (expenses)	(137,561)	(133,983)
Change in net position	404,103	523,293
Net position—beginning	(809,558)	(1,332,851)
Net position—ending	\$ (405,455)	\$ (809,558)

The notes to the financial statements are an integral part of this statement.

**ROCKLAND SECOND TOBACCO ASSET SECURITIZATION CORPORATION**  
**(A Component Unit of the County of Rockland, New York)**  
**Statements of Cash Flows**  
**Years Ended December 31, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from tobacco settlement revenues	\$ 690,088	\$ 728,364
Payments to directors	(13,000)	(13,000)
Payments to vendors	(44,019)	(40,902)
Net cash provided by operating activities	633,069	674,462
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	25,182	48,885
Net cash provided by investing activities	25,182	48,885
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Repayment of Tobacco Settlement Bonds	(500,000)	(510,000)
Interest paid	(143,700)	(174,000)
Net cash (used for) non-capital financing activities	(643,700)	(684,000)
Net increase in cash and cash equivalents	14,551	39,347
Cash and cash equivalents—beginning	852,850	813,503
Cash and cash equivalents—ending	\$ 867,401	\$ 852,850
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income:	\$ 541,664	\$ 657,276
Adjustments to reconcile operating income to net cash provided by operating activities:		
Decrease in amounts due from New York State	91,405	17,186
Total adjustments	91,405	17,186
Net cash provided by operating activities	\$ 633,069	\$ 674,462

The notes to the financial statements are an integral part of this statement.

**ROCKLAND SECOND TOBACCO ASSET SECURITIZATION CORPORATION**  
**(A Component Unit of the County of Rockland, New York)**  
**Notes to the Financial Statements**  
**Years Ended December 31, 2019 and 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Rockland Second Tobacco Asset Securitization Corporation ("RSTASC") have been prepared in conformity with accounting principles generally accepted in the United States of America applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of RSTASC's accounting policies are described below.

***Reporting Entity***

RSTASC is a special purpose, bankruptcy-remote, local development corporation. RSTASC 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 RSTASC consists of five members; two designees of the County of Rockland, New York's ("County") County Executive, one designee of the Chairman of the County's Board of Legislators, one designee of the Chairman of the Budget and Finance Committee of the County's Board of Legislators and a fifth director who meets certain requirements of independence and shall be designated by a majority of the other four members. Although legally separate from the County, RSTASC is a component unit of the County. Based on the nature and significance of RSTASC's relationship with the County and the criteria set forth by GASB, RSTASC is included within the County's basic financial statements as a blended component unit. The Board of Directors has elected to present the activity of RSTASC as a proprietary fund type (Enterprise Fund).

The Master Settlement Agreement ("MSA") was entered into on November 23, 1998, among the attorneys general of 46 states (including New York), the District of Columbia, the Commonwealth of Puerto Rico, Guam, the U.S. Virgin Islands, American Samoa and the Territory of the Northern Marianas and for the four largest United States tobacco manufacturers: Philip Morris Incorporated, R.J. Reynolds Tobacco Company, Brown and Williamson Tobacco Company and Lorillard Tobacco Company (collectively the "Original Participating Manufacturers" or "OPMs") in settlement of certain smoking-related litigation and the Decree entered in New York Supreme Court, including the County's right to receive certain initial and annual payments to be made by the OPMs under the MSA.

During 2001, the County sold all of its future rights, title and interest to receive payments under the MSA and the Consent Decree to the Rockland Tobacco Asset Securitization Corporation ("RTASC"). Pursuant to an assignment from RTASC to RSTASC and a purchase and sale agreement by and among the County, the Rockland Residual Trust (of which the County is the beneficial owner) and RSTASC, the RSTASC is acquiring all of the right, title and interest to the twenty percent share of Tobacco Settlement Revenues ("TSR's") that are not pledged to the RTASC bondholders. The debt issued by RSTASC to securitize these revenues is not considered debt of the County and is secured only by future tobacco settlement payments.

In accordance with the Bond Indenture and to the extent contained in the MSA Report, a trapping event has occurred. A Consumption Decline Trapping Event occurs when shipments of cigarettes in or to the 50 United States, the District of Columbia and Puerto Rico as measured under the MSA, are less in any year preceding a deposit date than the amount opposite such year under the “Consumption Decline Trapping Event” definition, which number for the year 2018 was 236,746,351,004. According to the MSA Report, the amount shown as relevant shipments for the year 2018 was less than the shipment amount specified above, and therefore a Consumption Decline Trapping Event has occurred.

#### ***Measurement Focus and Basis of Accounting***

The financial statements of RSTASC have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The activities of RSTASC are accounted for similar to those often found in the private sector using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, deferred outflows, liabilities, deferred inflows, net position, revenues and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

Tobacco settlement revenues are exchange transactions, based on the notion that the payments are made to the settling states in exchange for their agreement to release the tobacco companies from present and future litigation. Under the terms of the MSA, the tobacco companies have agreed to make annual payments in perpetuity. The MSA includes a schedule of projected annual base payments, subject to certain adjustments based on future events or circumstances. The most significant factor affecting the annual payments is a *volume adjustment*, which creates a direct relationship between domestic shipments of cigarettes and the annual payments. Based on the MSA, the tobacco companies have no obligation to make settlement payments until cigarettes are shipped.

The event that results in the recognition of an asset and revenue by a settling government is the domestic shipment of cigarettes (sales). Therefore, RSTASC recognizes a receivable and revenue for tobacco settlement revenues when that event occurs. Because annual tobacco settlement revenue payments are based on cigarette sales from the preceding calendar year, RSTASC estimates accrued tobacco settlement revenues that derive from sales from January 1 to their respective fiscal year ends.

#### ***Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position***

***Cash, Cash Equivalents and Investments***—RSTASC’s cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date acquired by RSTASC. At December 31, 2019 and 2018, RSTASC does not report any investments; however, when RSTASC does have investments they are recorded at fair value in accordance with GASB.

***Restricted Cash and Cash Equivalents***—Restricted cash and cash equivalents represent amounts to support net position restrictions.

***Due From New York State***—Represents an estimate of RSTASC’s portion of the Master Settlement Agreement.

***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, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then. At December 31, 2019 and 2018, RSTASC reports no deferred outflows of resources.

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, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At December 31, 2019 and 2018, RSTASC reported no deferred inflows of resources.

***Net Position Flow Assumption***—Sometimes RSTASC will fund outlays for a particular purpose from both restricted (e.g., restricted bond proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted—net position and unrestricted—net position in the statement of net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is RSTASC's policy to consider restricted—net position to have been depleted before unrestricted—net position is applied.

### ***Revenues and Expenses***

***Tobacco Settlement Revenues***—During the fiscal year ended December 31, 2019, RSTASC recognized tobacco settlement revenues as a result of a New York State settlement agreement. Payments are made according to a set formula based on tobacco sales.

***Expenses***—Expenses are recorded on the accrual basis of accounting. Operating expenses consist of administrative costs for professional service fees and directors' fees and are paid from revenues.

### ***Other***

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

***Adoption of New Accounting Pronouncements***—During the year ended December 31, 2019, RSTASC implemented GASB Statements No. 83, *Certain Asset Retirement Obligations*; No. 84, *Fiduciary Activities*; No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*; and No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations. GASB Statement No. 84 improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB statement No. 88 improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. GASB statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The implementation of GASB Statements No. 83, 84, 88, and 90 did not have a material impact on RSTASC's financial position or results from operations.

**Future Impacts of Accounting Pronouncements**—RSTASC has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 87, *Leases*; and No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the year ending December 31, 2020, and No. 91, *Conduit Debt Obligations*; and No. 92, *Omnibus 2020*, effective for the year ending December 31, 2021. RSTASC is, therefore, unable to disclose the impact that adopting GASB Statements No. 87, 89, 91, and 92 will have on its financial position and results of operations when such statements are adopted.

**Deficit Net Position**—At December 31, 2019, RSTASC reported a net position of \$(405,455). The deficit is caused by long-term obligations that are greater than currently available resources.

**Tax Status**—The Corporation is exempt from federal income tax under section 501(a) of the Internal Revenue Code (IRC) as an organization described in section 501 (c)(3).

## 2. CASH AND CASH EQUIVALENTS

RSTASC’s investment policies are governed by New York State statutes. All deposits are carried at fair value. Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit not covered by Federal deposit insurance (FDIC). RSTASC has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligation that may be pledged as collateral. Obligations that may be pledged as collateral are outlined in Chapter 623 of the laws of the State of New York.

Cash and cash equivalents of RSTASC at December 31, 2019 and 2018 consisted of the following:

	2019	2018
Cash on deposit	\$ 133,872	\$ 109,247
Money market funds	22,529	32,547
Commercial paper	711,000	711,056
Total	<u>\$ 867,401</u>	<u>\$ 852,850</u>

**Deposits**—All deposits including cash in bank and certain investments (i.e. certificates of deposit) are carried at fair value and are classified by custodial credit risk at December 31, 2019 and 2018 as follows:

	Bank Balance	Carrying Amount
Deposits at December 31, 2019:		
FDIC insured	<u>\$ 133,872</u>	<u>\$ 133,872</u>
Deposits at December 31, 2018:		
FDIC insured	<u>\$ 109,247</u>	<u>\$ 109,247</u>

**Cash Equivalents**—Cash equivalents held by RSTASC includes money market accounts and commercial paper with maturity dates within three months of year-end. These cash equivalents are carried at amortized cost.

**Restricted Cash and Cash Equivalents**—RSTASC reports restricted cash and cash equivalents of \$733,529 to support restricted net position.

**Custodial Credit Risk—Deposits**—In the case of deposits, this is the risk that in the event of a bank failure, RSTASC’s deposits may not be returned to it. As noted above, by State statute all deposits in excess of FDIC insurance coverage must be collateralized. As of December 31, 2019 and 2018, the RSTASC’s deposits were FDIC insured.

**Custodial Credit Risk—Cash Equivalents**—For cash equivalents, this is the risk that, in the event of the failure of the counterparty, RSTASC will not be able to recover the value of its cash equivalents or collateral securities that are in the possession of an outside party. For cash equivalents, this is the risk that in the event of a bank failure, RSTASC’s cash equivalents may not be returned to it.

**Interest Rate Risk**—As a means of limiting its exposure to fair value losses arising from fluctuating interest rates, it is RSTASC’s practice to generally limit investments to 180 days or less.

### 3. RECEIVABLES

**Due from New York State**—Represents amounts owed to RSTASC for tobacco settlement revenue of the MSA. RSTASC has accrued tobacco settlement revenue due from New York State of \$629,297 and \$720,702 within the statement of net position at December 31, 2019 and 2018, respectively.

**Interest Receivable**—Represents interest income earned in 2018 on commercial paper owed to RSTASC.

### 4. LONG-TERM DEBT

RSTASC issued Tobacco Settlement Bonds on December 18, 2003 to finance the purchase of the tobacco rights from RTASC and the related costs of issuance. The bonds were issued for \$9,275,102, net of original issue discount of \$439,898 and bear interest at rates ranging from 5.027% to 6.27%, depending on maturity. Annual principal payments on Tobacco Settlement Bonds are dependent on TSR revenue received, therefore, the current portion considered payable during the year ending December 31, 2020 is not determinable. The stated maturity date for the bonds is June 1, 2043; the bonds must be paid in full by this date in order to avoid an event of default.

Changes in bonds payable for the Tobacco Settlement Bonds, Series 2003 for the years ended December 31, 2019 and 2018 are as follows:

Description	Year of Maturity	Yield	Beginning Balance 1/1/2019	Additions	Deletions	Ending Balance 12/31/2019
2003 Tobacco Settlement Bonds	2043	5.027-6.27	\$ 2,645,000	\$ -	\$ 500,000	\$ 2,145,000
Less:						
Bond discount			(265,440)	-	(10,618)	(254,822)
Net Tobacco Settlement Bonds			<u>\$ 2,379,560</u>	<u>\$ -</u>	<u>\$ 489,382</u>	<u>\$ 1,890,178</u>

Description	Year of Maturity	Yield	Beginning Balance 1/1/2018	Additions	Deletions	Ending Balance 12/31/2018
2003 Tobacco Settlement Bonds	2043	5.027-6.27	\$ 3,155,000	\$ -	\$ 510,000	\$ 2,645,000
Less:						
Bond discount			(276,058)	-	(10,618)	(265,440)
Net Tobacco Settlement Bonds			<u>\$ 2,878,942</u>	<u>\$ -</u>	<u>\$ 499,382</u>	<u>\$ 2,379,560</u>

## 5. NET POSITION

The RSTASC financial statements utilize a net position presentation. Net position is categorized as restricted and unrestricted components.

- **Restricted for Debt Service**—This category restricts a portion of net position for payment of the debt service obligations of RSTASC. At December 31, 2019, the balance of this restriction was \$733,529.
- **Unrestricted**—This component represents net position of RSTASC not restricted for any other purpose.

## 6. CONTINGENCIES

The ability of RSTASC to meet debt service payments of the turbo term bonds is contingent upon the receipt of TSRs. TSRs are principally dependent upon future levels of domestic consumption. A significant decline in the overall consumption of cigarettes could have a material adverse effect on the payments by the OPMs under the MSA and the amounts available to RSTASC to make payments of principal and interest on their bonds.

Certain smokers, smokers' rights organizations, consumer groups, cigarette importers, cigarette distributors, cigarette manufacturers, Native American tribes, taxpayer, taxpayers' groups and other parties have filed actions against some, and in certain cases all, of the signatories to the MSA. In the event of an adverse court ruling in such types of litigation, Bondholders could incur a complete loss of their investment.

Additionally, the OPMs are also exposed to liability from various lawsuits including individual lawsuits, class action lawsuits and health care cost recovery litigation. Ultimately, the outcome of these and any other pending or future lawsuits is uncertain. One or more adverse judgment could result in delays in, or reductions of amounts available for, payments on the bonds.

## 7. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 13, 2020, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

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Certified Public Accountants

**INDEPENDENT AUDITORS' 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**

To the Board of Directors  
Rockland Second 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 business-type activities of Rockland Second Tobacco Asset Securitization Corporation ("RSTASC") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise RSTASC's basic financial statements, and have issued our report thereon dated March 13, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered RSTASC'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 RSTASC's internal control. Accordingly, we do not express an opinion on the effectiveness of RSTASC'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 entity'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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 RSTASC'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Drescher & Malecki LLP*

March 13, 2020

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*Certified Public Accountants*

March 13, 2020

Board of Directors  
Rockland Second Tobacco Asset Securitization Corporation  
Rockland County  
18 Hempstead Road  
New City, New York 10956

To the Board of Directors:

We have audited the financial statements of the business-type activities of Rockland Second Tobacco Asset Securitization Corporation (“RSTASC”), a component unit of the County of Rockland, New York, as of and for the year ended December 31, 2019, and have issued our report thereon dated March 13, 2020. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated December 12, 2019, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of RSTASC solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

**Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

## **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by RSTASC is included in Note 1 to the financial statements. Except for the matters discussed below, there have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended December 31, 2019. RSTASC has elected to report one proprietary fund to account for the accumulation of resources that are restricted for the payment of principal and interest on long-term obligations and the administration of such resources.

During the year ended December 31, 2019, RSTASC implemented Governmental Accounting Standards Board ("GASB") Statements No. 83, *Certain Asset Retirement Obligations*; No. 84, *Fiduciary Activities*; No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*; and No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. GASB Statement No. 83 establishes criteria for determining the timing and pattern of recognition of the liability and corresponding deferred outflow of resources for asset retirement obligations ("AROs"). GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities. GASB Statement No. 88 enhances the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. GASB Statements No. 83, 84, 88, and 90 did not have a material impact on RSTASC's financial position or results from operations.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive estimates affecting the financial statements for the year ended December 31, 2019 were the recognition of tobacco settlement revenues as a receivable.

Management's estimate of recognition of tobacco settlement revenues is based on historical data of tobacco settlement revenue received by RSTASC. We evaluated the key factors and assumptions used to develop this estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

#### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

#### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The proposed adjusting journal entries for the year ended December 31, 2019 were brought to the attention of, and corrected by, management, are attached to the management representation letter dated March 13, 2020 as Exhibit I (copy attached).

#### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to RSTASC's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

#### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated March 13, 2020.

#### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with RSTASC, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as RSTASC's auditors.

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

*Drescher & Malecki LLP*

March 13, 2020

**ROCKLAND COUNTY SECOND TOBACCO ASSET  
SECURITIZATION CORP.  
COUNTY OF ROCKLAND**

50 Sanatorium Road, Bldg A  
8<sup>th</sup> Floor  
Pomona, New York 10970  
(845) 364-3858  
Fax: (845) 364-3831

**MICHAEL J. GAMBOLI**  
Treasurer

**C. SCOTT VANDERHOEF**  
President

March 13, 2020

Drescher & Malecki LLP  
3083 William Street, Suite 5  
Buffalo, New York 14227

This representation letter is provided in connection with your audit of the business-type activities of Rockland Second Tobacco Asset Securitization Corporation ("RSTASC"), a component unit of the County of Rockland, New York, as of December 31, 2019 and for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the basic financial statements present fairly, in all material respects, the financial position and results of operations or changes in fund balances of the various opinion units of RSTASC in accordance with accounting principles generally accepted for governments in the United States of America ("U.S. GAAP").

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of March 13, 2020:

**Financial Statements**

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated December 12, 2019, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
- We acknowledge our responsibility for 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- There are no identified material uncorrected misstatements.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- All funds and activities are properly classified:
- All components of net position are properly classified and, if applicable, approved.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available is appropriately disclosed and net position is properly recognized under the policy.
- Deposit and investment risks have been properly and fully disclosed.
- All required supplementary information is measured and presented within the prescribed guidelines.
- With regard to investments and other instruments reported at fair value:
  - The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
  - The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
  - The disclosures related to fair values are complete, adequate, and in accordance with U.S. GAAP.
  - There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

## Information Provided

- We have provided you with:
  - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of RSTASC's related parties and all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- RSTASC has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We have disclosed to you all guarantees, whether written or oral, under which RSTASC is contingently liable.
- We have disclosed to you all nonexchange financial guarantees, under which we are obligated and have declared liabilities and disclosed properly in accordance with GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, for those guarantees where it is more likely than not that the entity will make a payment on any guarantee.

- For nonexchange financial guarantees where we have declared liabilities, the amount of the liability recognized is the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. Where there was no best estimate but a range of estimated future outflows has been established, we have recognized the minimum amount within the range.
- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 ("GASB-62"), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- There are no:
  - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
  - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
  - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
  - Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240,15(2-12)).
- RSTASC has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.
- We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

## **Required Supplementary Information**

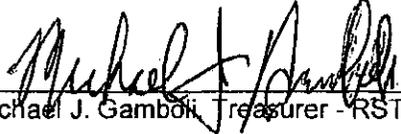
With respect to the required supplementary information accompanying the financial statements including Management's Discussion and Analysis:

- We acknowledge our responsibility for the presentation of the required supplementary information in accordance with U.S. GAAP.
- We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with U.S. GAAP.
- The methods of measurement or presentation have not changed from those used in the prior period and the basis for our assumptions and interpretations, underlying those measurements or presentations, are reasonable and appropriate in the circumstances.

## **Other Specific Representations**

- RSTASC management agrees with the proposed adjusting journal entries as presented in Exhibit I.
- RSTASC has elected to report the activities of RSTASC as a proprietary fund.
- In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management uses estimates. We are responsible for making the accounting estimates. The RSTASC has disclosed in the financial statements all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.
- Based on an estimate of historical trends of tobacco revenue received by RSTASC, we estimate the tobacco settlement revenues receivable at December 31, 2019 to be \$629,297.
- In addition to the audit services based on information in the RSTASC trial balance, Drescher & Malecki LLP has assisted RSTASC in preparing RSTASC's financial statements for the year ended December 31, 2019. In conjunction with the preparation of the financial statements, RSTASC has performed the following functions:
  - Made all management decisions and performed all management functions.
  - Assigned Lenny Forte, Budget Specialist, whom we believe has suitable skill, knowledge, and/or experience to perform bookkeeping functions and who has overseen the above services.
  - Evaluated the adequacy and results of the services performed.
  - Evaluated and accepted responsibility for the results of the services performed.
  - Established and maintained internal controls, including monitoring ongoing activities.

- RSTASC management understands the Drescher & Malecki LLP has not performed any management functions or made management decisions on behalf of RSTASC. Any nonattest services were performed in accordance with the applicable professional standards issued by the American Institute of Certified Public Accountants.

  
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Michael J. Gamboli, Treasurer - RSTASC

**EXHIBIT I**

**Rockland Second Tobacco Asset Securitization Corporation**  
**Proposed Adjusting Journal Entry**  
**Year Ended December 31, 2019**

**Proposed Adjusting Journal Entry JE # 1**

To reclass trustee fee from Wilmington account to fiscal fees account.

Z.9200.59207	Fiscal Fees	\$ 6,500	\$ -
Z.9200.59202	Wilmington Trust Fees	-	6,500
		6,500	6,500
		6,500	6,500

**Proposed Adjusting Journal Entry JE # 2**

To adjust Accounts Payable balance for 2020 expenditure.

Z.600.000	Accounts Payable	2,500	-
Z.9200.59202	Wilmington Trust Fees	-	2,500
		2,500	2,500
		2,500	2,500

**Proposed Adjusting Journal Entry JE # 3**

To correct PBC General Journal #6.

Z.9200.49100	Interest Income	10,125	-
Z.9200.59211	Interest Expense	-	10,125
		\$ 10,125	\$ 10,125
		\$ 10,125	\$ 10,125

**Drescher & Malecki LLP**  
3083 William Street, Suite 5  
Buffalo, New York 14227  
Telephone: 716.565.2299  
Fax: 716.565.2201



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Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH SECTION 2925(3)(f) OF THE  
NEW YORK STATE PUBLIC AUTHORITIES LAW**

To the Board of Directors  
Rockland Second Tobacco Asset Securitization Corporation

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the business-type activities of Rockland Second Tobacco Asset Securitization Corporation ("RSTASC"), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise RSTASC's basic financial statements, and have issued our report thereon dated March 13, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that RSTASC failed to comply with Section 2925(3)(f) of the New York State Public Authorities Law regarding investment guidelines during the year ended December 31, 2019. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding RSTASC's noncompliance with the above rules and regulations.

The purpose of this report is solely to describe the scope and results of our testing. This communication is not suitable for any other purpose.

*Drescher & Malecki LLP*

March 13, 2020