

**MINUTES
FOR THE MEETING OF THE
SOLE MEMBER
/ AUDIT COMMITTEE / GOVERNANCE COMMITTEE /
BOARD OF DIRECTORS
OF
ROCKLAND TOBACCO ASSET SECURITIZATION CORPORATION
MEETING – June 12, 2018 at 5:00 P.M.**

1. Meeting of the Sole Member

Member: Edwin J. Day, Sole Member

Others in Attendance: Stephen DeGroat, Director
Nicole Doliner, Director
Howard T. Phillips, Jr., Director
C. Scott Vanderhoef, Director
Brian J. Quinn, Esq., Counsel
Thomas Simeti, Secretary
Wilbur Aldridge
Mark Rothenberg

Absent: Dorothy C. Filoramo, Independent Director

- Mr. Day: The Meeting of the Sole Member is opened.
- Secretary Simeti: Mr. Day, the Notice of Meeting had been posted and sent to the newspaper in compliance with the Open Meetings Law.
- Mr. Day: I have signed the Consent to Waiver of Notice of Meeting.
- Secretary Simeti: Thank you.
- Mr. Day: I have reviewed the Minutes of the Meeting of the Sole Member held on March 20, 2018 and accept them for filing with Secretary Simeti.
- Secretary Simeti: The Minutes shall be filed.
- Mr. Day: The Audit has been prepared by the consultant, Drescher & Malecki and is made a part of the Meeting packet. The Treasurer will explain the Audit at the Meeting of the Board of Directors so I will not require it to be explained in this Meeting. Secretary Simeti, is there any other business for me today?
- Secretary Simeti: Mr. Day, there is no other business to be transacted at this Meeting.
- Mr. Day: Is there any public comment?

- Chairman Phillips: Is there any public comment?
- Secretary Simeti: Let the minutes reflect that there is no public comment.
- Chairman Phillips: Is there a motion to close the Meeting? Motion by Director Vanderhoef; Seconded by Director DeGroat; All in Favor; None Opposed; Motion Carried.

2. Meeting of the Governance Committee

Members: Howard T. Phillips, Jr., Chairman
Nicole Doliner, Member

Absent: Dorothy C. Filoramo, Member and Independent Director

Others in Attendance: Edwin J. Day, Sole Member
Stephen DeGroat, Director
C. Scott Vanderhoef, Director
Brian J. Quinn, Esq., Counsel
Thomas Simeti, Secretary

- Chairman Phillips: I open the meeting of the Governance Committee. Secretary Simeti, are all members present?
- Secretary Simeti: No, Director Filoramo is absent. Director Doliner is present.
- Secretary Simeti: Chairman Phillips, the Notice of Meeting had been posted and sent to the newspaper in compliance with the Open Meetings Law.
- Chairman Phillips: Secretary Simeti, have the Directors in attendance signed the Consent to Waiver of Notice of Meeting?
- Secretary Simeti: Yes.
- Chairman Phillips: Have the Members reviewed the Minutes of the Meeting held on March 20, 2018? Directors concur the minutes were reviewed. Are there any corrections or additions to be made to the Minutes? Directors concur there are none. Is there a motion to accept the Minutes for filing? Motion by Director Doliner; Seconded by Director Phillips; All in Favor; None Opposed; Motion Carried.
- Chairman Phillips: Secretary Simeti, is there any other business to be transacted at this Meeting?

- Secretary Simeti: Yes, I wish to advise the Committee that Director Aldridge completed the New Director Training required by the ABO and a Certificate of Completion will be filed with the records of the Corporation and that Counsel Quinn will be circulating the annual Director Evaluations at the Meeting of the Board of Directors.
- Chairman Phillips: Is there any public comment?
- Secretary Simeti: Let the minutes reflect that there is no public comment.
- Chairman Phillips: Is there a motion to close the Meeting? Motion by Director Doliner; Seconded by Director Phillips; All in Favor; None Opposed; Motion Carried.

3. Meeting of the Board of Directors

Members: Howard T. Phillips, Jr., Chairman and Director
Stephen DeGroat, Treasurer and Director
Nicole Doliner, Director
C. Scott Vanderhoef, Director

Absent: Dorothy C. Filoramo, Independent Director

Others in Attendance: Edwin J. Day, Sole Member
Brian J. Quinn, Esq., Counsel
Thomas Simeti, Secretary

- Chairman Phillips: I open the meeting of the Board of Directors. Secretary Simeti, are all members present?
- Secretary Simeti: Yes, all members except for Director Filoramo are present.
- Secretary Simeti: Chairman Phillips, the Notice of Meeting had been posted and sent to the newspaper in compliance with the Open Meetings Law.
- Chairman Phillips: Secretary Simeti, have the Directors in attendance signed the Consent to Waiver of Notice of Meeting?
- Secretary Simeti: Yes.
- Chairman Phillips: Have the Members reviewed the Minutes of the Meeting held on March 20, 2018? Directors concur the minutes were reviewed. Are there any corrections or additions to be made to the Minutes? Directors concur there are none. Is there a motion to accept the Minutes for filing? Motion by Director DeGroat; Seconded by Director Doliner; All in Favor; None Opposed; Motion Carried.

- Chairman Phillips: Treasurer DeGroat, please give your report to the Board.
- Treasurer DeGroat: Here is the Schedule of Revenue and Expenses as of May 31, 2018. Schedule distributed to all Directors. Treasurer DeGroat explained that the balance as of January 31, 2018 was \$186,600.51 and that payments were made from the account totaling 12,500.00 resulting in a balance of \$174,100.51 as of May 31, 2018. The only other projected expense is for the Audit. Treasurer DeGroat then discussed the Audit prepared by Drescher & Malecki which was distributed as an attachment to the Board packet. Treasurer DeGroat explained that the Corporation received a clean audit with an unqualified opinion and that our net position decreased by \$2,334,941 as a result of activity for the year ended December 31, 2017. In addition, Treasurer DeGroat further stated that there were no instances of noncompliance or weakness in internal controls reported in the Audit.

There was discussion and comments by the Directors about the Audit. The Board of Directors requested, upon the recommendation of Chairman Phillips, that Treasurer DeGroat prepare for the next meeting a cumulative summary of the amount of money that the Corporation has transferred to the County through its management and the programs that the transferred money has funded for the County.

- Chairman Phillips: Is there a motion to accept the Treasurer's Report? Motion by Director Vanderhoef; Seconded by Director Doliner; All in Favor; None Opposed; Motion Carried.
- Chairman Phillips: Is there a motion to accept the Audit? Motion by Director Vanderhoef; Seconded by Director DeGroat; All in Favor; None Opposed; Motion Carried.
- Chairman Phillips: At our prior meeting in December, we deferred the appointment of M&T as Trustee upon recommendation of Treasurer DeGroat. Is there a motion to appoint M&T as Trustee? Motion by Director Vanderhoef; Seconded by Director Doliner; All in Favor; None Opposed; Motion Carried.
- Chairman Phillips: Is there a motion to ratify, confirm and approve all corporate actions previously taken by the Board of Directors and Officers? Motion by Director DeGroat; Seconded by Director Doliner; All in Favor; None Opposed; Motion Carried.
- Chairman Phillips: Is there a motion to 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 Doliner; Seconded by Director Vanderhoef; All in Favor; None Opposed; Motion Carried.
- Chairman Phillips: Secretary Simeti, is there any other business to be transacted at this Meeting?

- Secretary Simeti: Yes, two additional items. As I advised in the Meeting of the Governance Committee, Director Aldridge completed the New Director Training required by the ABO and a Certificate of Completion will be filed with the records of the Corporation and Counsel Quinn will be circulating the ABO Evaluation form to be completed by the Directors today.
- Counsel Quinn: Mr. Chairman, I would like to distribute the ABO Evaluations to the Directors. Counsel Quinn distributed the Evaluation forms and the Directors complete and return them to Counsel Quinn for submission to the ABO. I have provided Secretary Simeti with the form Summary Results of Confidential Evaluation of Board Performance form which will be completed from the Director Evaluations and submitted to the ABO.
- Chairman Phillips: Very good. The next meeting of the Board is in September. Is there a date that is agreeable? Discussion of date for next meeting. The tentative date for the next Meeting of the Board is September 11, 2018 at 5:00 P.M.
- Chairman Phillips: Is there a motion to close the Meeting? Motion by Director Doliner; Seconded by Director DeGroat; All in Favor; None Opposed; Motion Carried.

Approved by the Board of Directors at the
Meeting held on September 25, 2018



Thomas Simeti
Secretary to the Board

Attachment(s): Schedule of Revenue and Expenditures as of May 31, 2018
Financial Statement For Year Ended December 31, 2017 And 2016
And Independent Auditor's Report

COUNTY OF ROCKLAND
ROCKLAND TOBACCO ASSET SECURITIZATION CO.
SCHEDULE OF REVENUE AND EXPENDITURES
FYE 12/31/2018

GREATER HUDSON BANK

BEGINNING BALANCE AT JANUARY 1, 2018 186,600.51

REVENUE

EXPENDITURES

1/29/2018	CK 1107	WILMINGTON TRUST INVOICE # 2017122033602-A	(4,000.00)
1/29/2018	CK 1108	MONTALBANO, CONDON & FRANK PC - 4TH QTR 2017	(1,250.00)
1/30/2018	CK 1109	WILMINGTON TRUST - ANNUAL FEE A/C 1000294	(4,000.00)
3/20/2018	CK 1110	HOWARD PHILLIPS - DIRECTOR FEE	(750.00)
3/20/2018	CK 1111	NICOLE DOLINER - DIRECTOR FEE	(500.00)
3/20/2018	CK 1112	EDWIN J. DAY - DIRECTOR FEE	(500.00)
3/20/2018	CK 1113	DOROTHY C. FILORAMO - DIRECTOR FEE	(500.00)
3/20/2018	CK 1114	STEPHEN F. DEGROAT - DIRECTOR FEE	(500.00)
3/20/2018	CK 1115	C. SCOTT VANDERHOEF - DIRECTOR FEE	(500.00)

(12,500.00)

NET YTD OPERATING REVENUE/EXPENDITURES

(12,500.00)

BOOK BALANCE AT MAY 31, 2018

174,100.51

OUTSTANDING CHECKS

BANK BALANCE AT MAY 31, 2018

174,100.51

Summary Results of Confidential Evaluation of Board Performance

Criteria	Agree	Somewhat Agree	Somewhat Disagree	Disagree
Board members have a shared understanding of the mission and purpose of the Authority.	#	#	#	#
The policies, practices and decisions of the Board are always consistent with this mission.				
Board members comprehend their role and fiduciary responsibilities and hold themselves and each other to these principles.				
The Board has adopted policies, by-laws, and practices for the effective governance, management and operations of the Authority and reviews these annually.				
The Board sets clear and measurable performance goals for the Authority that contribute to accomplishing its mission.				
The decisions made by Board members are arrived at through independent judgment and deliberation, free of political influence or self-interest.				
Individual Board members communicate effectively with executive staff so as to be well informed on the status of all important issues.				
Board members are knowledgeable about the Authority's programs, financial statements, reporting requirements, and other transactions.				
The Board meets to review and approve all documents and reports prior to public release and is confident that the information being presented is accurate and complete.				
The Board knows the statutory obligations of the Authority and if the Authority is in compliance with state law.				
Board and committee meetings facilitate open, deliberate and thorough discussion, and the active participation of members.				
Board members have sufficient opportunity to research, discuss, question and prepare before decisions are made and votes taken.				
Individual Board members feel empowered to delay votes, defer agenda items, or table actions if they feel additional information or discussion is required.				
The Board exercises appropriate oversight of the CEO and other executive staff, including setting performance expectations and reviewing performance annually.				
The Board has identified the areas of most risk to the Authority and works with management to implement risk mitigation strategies before problems occur.				
Board members demonstrate leadership and vision and work respectfully with each other.				

Name of Authority: ROCKLAND TOBACCO ASSET SECURITIZATION CORPORATION

Date Completed: _____

**ROCKLAND 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, 2017 and 2016
and Independent Auditors' Reports*

ROCKLAND TOBACCO ASSET SECURITIZATION CORPORATION
(A COMPONENT UNIT OF THE COUNTY OF ROCKLAND, NEW YORK)
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Years Ended December 31, 2017 and 2016

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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Rockland Tobacco Asset Securitization Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Rockland Tobacco Asset Securitization Corporation ("RTASC"), a component unit of County of Rockland, New York, as of and for the year ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise RTASC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

RTASC'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.

Auditor's 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 audits 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 RTASC, as of December 31, 2017 and 2016, and the respective changes in its financial position and cash flows thereof for the years 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 May 3, 2018 on our consideration of RTASC'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 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 RTASC's internal control over financial reporting and compliance.



May 3, 2018

ROCKLAND TOBACCO ASSET SECURITIZATION CORPORATION
(A Component Unit of the County of Rockland, New York)
Management's Discussion and Analysis
Years Ended December 31, 2017 and 2016

As management of the Rockland Tobacco Asset Securitization Corporation ("RTASC"), a blended component unit of the County of Rockland, New York (the "County"), we offer readers of RTASC's financial statements this narrative overview and analysis of the financial activities of RTASC for the fiscal year ended December 31, 2017 and 2016. Certain data from the prior year has been reclassified to conform with the current year presentation. This document should be read in conjunction with additional information that we have furnished in RTASC's financial statements, which follow this narrative.

Financial Highlights

- RTASC's net position decreased \$2,434,941 as a result of activity for the year ended December 31, 2017.
- RTASC's liabilities exceeded the assets by \$80,062,313, representing net position at December 31, 2017.
- RTASC's Tobacco Settlement Bonds decreased by \$1,665,000 as a result of principal payments made during the year, while Subordinate Turbo Capital Appreciation Bonds ("CABs") increased by \$3,993,612 as a result of annual net interest accretion.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to RTASC's basic financial statements. The financial statements are organized as follows:

- The *Statement of Net Position* presents information on all of RTASC'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 RTASC is improving or deteriorating.
- The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing how RTASC'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 RTASC's cash flow activities for the most recent reporting period and the effect that these activities had on RTASC's cash and cash equivalent balances.
- 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 may serve over time as a useful indicator of an entity's financial position. In the case of RTASC, liabilities exceeded assets by \$80,062,313 at December 31, 2017, as compared to \$77,627,372 and \$74,764,019 at December 31, 2016 and 2015, respectively, as presented below in Table 1:

Table 1—Condensed Statements of Net Position

	December 31,	
	2017	2016
Current assets	\$ 8,725,126	\$ 9,274,687
Total assets	<u>8,725,126</u>	<u>9,274,687</u>
Current liabilities	799,427	834,312
Noncurrent liabilities	<u>87,988,012</u>	<u>86,067,747</u>
Total liabilities	<u>88,787,439</u>	<u>86,902,059</u>
Net position	<u>\$ (80,062,313)</u>	<u>\$ (77,627,372)</u>
	December 31,	
	2016	2015
Current assets	\$ 9,274,687	\$ 7,211,099
Noncurrent assets	-	3,525,579
Total assets	<u>9,274,687</u>	<u>10,736,678</u>
Current liabilities	834,312	987,902
Noncurrent liabilities	<u>86,067,747</u>	<u>84,512,795</u>
Total liabilities	<u>86,902,059</u>	<u>85,500,697</u>
Net position	<u>\$ (77,627,372)</u>	<u>\$ (74,764,019)</u>

RTASC's unrestricted net position totals \$(80,062,313), \$(77,627,372), and \$(74,764,019) at December 31, 2017, 2016, and 2015, respectively.

At December 31, 2017, total assets were \$8,725,126 compared to \$9,274,687 and \$10,736,678 at December 31, 2016 and 2015, respectively. The largest asset held by RTASC at December 31, 2017 and 2016 represents cash and cash equivalents, while the largest asset held by RTASC at December 31, 2015 represented amounts due from New York State.

Total liabilities at December 31, 2017 were \$88,787,439 compared to \$86,902,059 and \$85,500,697 at December 31, 2016 and 2015, respectively. The largest portion of the liabilities was outstanding debt (net Tobacco Settlement Bonds and net Subordinate Turbo CABs) totaling \$87,988,012, \$86,067,747, and \$84,512,795 at December 31, 2017, 2016, and 2015, respectively.

During the current year, RTASC's net position decreased \$2,434,941 from the prior fiscal year for an ending net position of \$(80,062,313). Table 2 below, shows the changes in net position for the years ended December 31, 2017, 2016, and 2015.

Table 2—Changes in Net Position

	<u>Year Ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Operating revenues	\$ 2,963,583	\$ 3,129,709
Operating expenses	<u>64,193</u>	<u>63,920</u>
Operating income	<u>2,899,390</u>	<u>3,065,789</u>
Nonoperating revenues (expenses):		
Interest income	270,881	230,376
Interest expense	<u>(5,505,212)</u>	<u>(6,059,518)</u>
Total nonoperating revenues (expenses)	<u>(5,234,331)</u>	<u>(5,829,142)</u>
Net income before transfers	(2,334,941)	(2,763,353)
Transfer to County	<u>(100,000)</u>	<u>(100,000)</u>
Change in net position	(2,434,941)	(2,863,353)
Net position—beginning	<u>(77,627,372)</u>	<u>(74,764,019)</u>
Net position—ending	<u>\$ (80,062,313)</u>	<u>\$ (77,627,372)</u>
	<u>Year Ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Operating revenues	\$ 3,129,709	\$ 5,471,987
Operating expenses	<u>63,920</u>	<u>74,803</u>
Operating income	<u>3,065,789</u>	<u>5,397,184</u>
Nonoperating revenues (expenses):		
Interest income	230,376	278,789
Interest expense	<u>(6,059,518)</u>	<u>(5,259,337)</u>
Total nonoperating revenues (expenses)	<u>(5,829,142)</u>	<u>(4,980,548)</u>
Net income before transfers	(2,763,353)	416,636
Transfer to County	<u>(100,000)</u>	<u>(200,000)</u>
Change in net position	(2,863,353)	216,636
Net position—beginning	<u>(74,764,019)</u>	<u>(74,980,655)</u>
Net position—ending	<u>\$ (77,627,372)</u>	<u>\$ (74,764,019)</u>

A summary of sources of revenues for the years ended December 31, 2017, 2016, and 2015 is presented below in Table 3.

Table 3—Summary Source of Revenues

	Year Ended December 31,		Increase/(Decrease)	
	2017	2016	Dollars	Percent (%)
Operating revenues:				
Tobacco settlement revenues	\$ 2,951,552	\$ 3,105,849	\$ (154,297)	(5.0)
Other operating revenue	12,031	23,860	(11,829)	(49.6)
Total operating revenues	<u>2,963,583</u>	<u>3,129,709</u>	<u>(166,126)</u>	(5.3)
Nonoperating revenues:				
Interest income	270,881	230,376	40,505	17.6
Total nonoperating revenues	<u>270,881</u>	<u>230,376</u>	<u>40,505</u>	17.6
Total revenues	<u>\$ 3,234,464</u>	<u>\$ 3,360,085</u>	<u>\$ (125,621)</u>	(3.7)
	Year Ended December 31,		Increase/(Decrease)	
	2016	2015	Dollars	Percent (%)
Operating revenues:				
Tobacco settlement revenues	\$ 3,105,849	\$ 5,471,987	\$ (2,366,138)	(43.2)
Other operating revenues	23,860	-	23,860	100.0
Total operating revenues	<u>3,129,709</u>	<u>5,471,987</u>	<u>(2,342,278)</u>	(42.8)
Nonoperating revenues:				
Interest income	230,376	278,789	(48,413)	(17.4)
Total nonoperating revenues	<u>230,376</u>	<u>278,789</u>	<u>(48,413)</u>	(17.4)
Total revenues	<u>\$ 3,360,085</u>	<u>\$ 5,750,776</u>	<u>\$ (2,390,691)</u>	(41.6)

Total revenues for the years ended December 31, 2017, 2016, and 2015 were \$3,234,464, \$3,360,085 and \$5,750,776, respectively. Total revenues for the years ended December 31, 2017, 2016, and 2015 consisted of \$2,951,552 (91.3 percent), \$3,105,849 (92.4 percent), and \$5,471,987 (95.2 percent), respectively, of tobacco settlement revenues, and \$282,912, \$254,236 and \$278,789, respectively, of interest income and other operating revenue.

A summary of expenses for the years ended December 31, 2017, 2016, and 2015 is presented below in Table 4.

Table 4—Summary Source of Expenses

	Year Ended December 31,		Increase/(Decrease)	
	2017	2016	Dollars	Percent (%)
Operating expenses:				
Directors' fees	\$ 13,000	\$ 13,000	\$ -	-
Professional fees	27,900	27,627	273	1.0
Insurance	23,293	23,293	-	-
Total operating expenses	<u>64,193</u>	<u>63,920</u>	<u>273</u>	0.4
Nonoperating expenses:				
Interest expense	<u>5,505,212</u>	<u>6,059,518</u>	<u>(554,306)</u>	(9.1)
Total nonoperating expenses	<u>5,505,212</u>	<u>6,059,518</u>	<u>(554,306)</u>	(9.1)
Transfer to County	<u>100,000</u>	<u>100,000</u>	<u>-</u>	-
Total expenses	<u>\$ 5,669,405</u>	<u>\$ 6,223,438</u>	<u>\$ (554,033)</u>	(8.9)
	Year Ended December 31,		Increase/(Decrease)	
	2016	2015	Dollars	Percent (%)
Operating expenses:				
Directors' fees	\$ 13,000	\$ 13,000	\$ -	-
Professional fees	27,627	38,510	(10,883)	(28.3)
Insurance	23,293	23,293	-	-
Total operating expenses	<u>63,920</u>	<u>74,803</u>	<u>(10,883)</u>	(14.5)
Nonoperating expenses:				
Interest expense	<u>6,059,518</u>	<u>5,259,337</u>	<u>800,181</u>	15.2
Total nonoperating expenses	<u>6,059,518</u>	<u>5,259,337</u>	<u>800,181</u>	15.2
Transfer to County	<u>100,000</u>	<u>200,000</u>	<u>(100,000)</u>	(50.0)
Total expenses	<u>\$ 6,223,438</u>	<u>\$ 5,534,140</u>	<u>\$ 689,298</u>	12.5

Total expenses for the years ended December 31, 2017, 2016, and 2015 were \$5,669,405, \$6,223,438 and \$5,534,140, respectively. Expenses for the years ended December 31, 2017, 2016, and 2015 primarily consisted of \$5,505,212 (97.1 percent), \$6,059,518 (97.4 percent), and \$5,259,337 (95.0 percent), respectively, of interest expense, \$100,000 (1.8 percent), \$100,000 (1.6 percent), and \$200,000 (3.6 percent) of transfers to County, and \$64,193 (1.1 percent), \$63,920 (1.0 percent), and \$74,803 (1.4 percent), of operating expenses.

Debt Administration

Long-Term Debt. At the end of the current fiscal year, RTASC had net Tobacco Settlement Bonds outstanding of \$32,229,622 and net Subordinate Turbo CABs outstanding of \$55,758,390. During the year ended December 31, 2017, RTASC made principal payments of \$1,665,000 on its Tobacco Settlement Bonds while interest accreted \$3,558,925 on its Subordinate Turbo CABs. Additional information on RTASC'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 RTASC's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Rockland Tobacco Asset Securitization Corporation, c/o Commissioner of Finance, Rockland County, 18 New Hempstead Road, New City, New York 10956.

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ROCKLAND TOBACCO ASSET SECURITIZATION CORPORATION
(A Component Unit of the County of Rockland, New York)
Statements of Net Position
December 31, 2017 and 2016

	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,658,135	\$ 6,472,459
Interest receivable	94,087	90,502
Due from New York State	2,951,552	2,690,374
Prepaid items	21,352	21,352
Total assets	8,725,126	9,274,687
 LIABILITIES		
Current liabilities:		
Accounts payable	1,250	1,250
Due to Rockland County	100,000	100,000
Accrued interest payable	698,177	733,062
Noncurrent liabilities:		
Tobacco Settlement Bonds, net	32,229,622	33,877,107
Subordinate Turbo CABs, net	55,758,390	52,190,640
Total liabilities	88,787,439	86,902,059
 NET POSITION		
Unrestricted	(80,062,313)	(77,627,372)
Total net position	\$ (80,062,313)	\$ (77,627,372)

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

ROCKLAND 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, 2017 and 2016

	2017	2016
Operating revenues:		
Tobacco settlement revenue	\$ 2,951,552	\$ 3,105,849
Other operating revenue	<u>12,031</u>	<u>23,860</u>
Total operating revenues	<u>2,963,583</u>	<u>3,129,709</u>
Operating expenses:		
Directors' fees	13,000	13,000
Professional fees	27,900	27,627
Insurance	<u>23,293</u>	<u>23,293</u>
Total operating expenses	<u>64,193</u>	<u>63,920</u>
Operating income	<u>2,899,390</u>	<u>3,065,789</u>
Nonoperating revenues (expenses):		
Interest income	270,881	230,376
Interest expense	<u>(5,505,212)</u>	<u>(6,059,518)</u>
Total nonoperating revenues (expenses)	<u>(5,234,331)</u>	<u>(5,829,142)</u>
Net income before transfers	(2,334,941)	(2,763,353)
Transfer to County	<u>(100,000)</u>	<u>(100,000)</u>
Change in net position	(2,434,941)	(2,863,353)
Net position—beginning	<u>(77,627,372)</u>	<u>(74,764,019)</u>
Net position—ending	<u>\$ (80,062,313)</u>	<u>\$ (77,627,372)</u>

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

ROCKLAND TOBACCO ASSET SECURITIZATION CORPORATION
(A Component Unit of the County of Rockland, New York)
Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from tobacco settlement revenues	\$ 2,702,405	\$ 6,168,244
Payments to directors	(13,000)	(13,000)
Payments to vendors	(51,193)	(53,670)
Net cash provided by operating activities	2,638,212	6,101,574
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	267,296	221,800
Net cash provided by investing activities	267,296	221,800
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Repayment of bonds payable	(1,665,000)	(2,465,000)
Payment to County	(100,000)	(200,000)
Interest paid	(1,954,832)	(2,090,406)
Net cash (used for) non-capital financing activities	(3,719,832)	(4,755,406)
Net (decrease) increase in cash	(814,324)	1,567,968
Cash and cash equivalents—beginning	6,472,459	4,904,491
Cash and cash equivalents—ending	\$ 5,658,135	\$ 6,472,459
Reconciliation of operating income to net cash provided by operating activities		
Operating income:	\$ 2,899,390	\$ 3,065,789
Adjustments to reconcile operating income to net cash provided by operating activities:		
(Increase) decrease in amounts due from New York State	(261,178)	3,038,535
(Decrease) increase in accounts payable	-	(2,750)
Total adjustments	(261,178)	3,035,785
Net cash provided by operating activities	\$ 2,638,212	\$ 6,101,574

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

ROCKLAND TOBACCO ASSET SECURITIZATION CORPORATION
(A Component Unit of the County of Rockland, New York)
Notes to the Financial Statements
Years Ended December 31, 2017 and 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Rockland Tobacco Asset Securitization Corporation ("RTASC") 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 (the "GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of RTASC's accounting policies are described below.

Reporting Entity

RTASC is a special purpose, bankruptcy-remote, local development corporation. RTASC 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 RTASC 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, RTASC is a component unit of the County. Based on the nature and significance of RTASC's relationship with the County and the criteria set forth by GASB, RTASC 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 RTASC 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 RTASC, which issued \$47,750,000 in Tobacco Settlement Asset-Backed Bonds, Series 2001 ("Series 2001"). The Series 2001 bonds are payable from and secured solely from pledged Tobacco Settlement Revenues ("TSRs"). The debt issued by RTASC 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 Master Settlement Agreement ("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 2016 is 261,174,858,073. According to the MSA Report, the amount shown as relevant shipments for the year 2016 was less than the shipment amount specified above, and therefore a Consumption Decline Trapping Event has occurred.

Measurement Focus and Basis of Accounting

The activities of RTASC 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, RTASC 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, RTASC 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—Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date acquired by RTASC. At December 31, 2017, RTASC does not report any investments; however, when RTASC does have investments they are recorded at fair value in accordance with GASB.

Prepaid Items—Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the statement of net position. The cost of prepaid items is recorded as an expense when consumed rather than purchased.

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, 2017 and 2016, RTASC 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, 2017 and 2016, RTASC reported no deferred inflows of resources.

Net position flow assumption—Sometimes RTASC 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 RTASC’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, 2017, RTASC 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. Payments to the County are recorded when the obligation is incurred. 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 and expenses during the reporting period and the reported amounts of assets and liabilities 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, 2017, RTASC implemented GASB Statements No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*; No. 81, *Irrevocable Split-Interest Agreements*; and No. 82, *Pension Issues; an amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for the year ending December 31, 2017. GASB statement No. 74 improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. GASB statement No. 80 improves financial reporting by clarifying the financial statement presentation requirements for certain component units. GASB statement No. 81 improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. GASB statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. GASB Statement Nos. 74, 80, 81, and 82 did not have a material impact on RTASC’s financial position or results from operations.

Future Impacts of Accounting Pronouncements—RTASC has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*; No. 85, *Omnibus 2017*; and No. 86, *Certain Debt Extinguishment Issues*, effective for the year ending December 31, 2018, and No. 83, *Certain Asset Retirement Obligations*; No. 84, *Fiduciary Activities*; and No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* effective for the year ending December 31, 2019, and No. 87, *Leases*, effective for the year ending December 31,

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

3. RECEIVABLES

Due from New York State—Represents amounts owed to RTASC for tobacco settlement revenue of the MSA. RTASC has accrued \$2,951,552 and \$2,690,374 within the statement of net position at December 31, 2017 and 2016, respectively.

Interest Receivable—Represents interest income earned in 2017 and 2016 on commercial paper owed to RTASC at December 31, 2017 and 2016.

4. LONG-TERM DEBT

RTASC issued Series 2001 turbo term bonds on December 20, 2001 to finance the purchase of the tobacco rights from the County and the related costs of issuance. The turbo term bonds were issued for \$46,767,234, net of original discount of \$982,766 and bear interest at rates ranging from 4.625% to 5.75%, depending on maturity. Annual principal payments on Tobacco Settlement Bonds are dependent on the TSR revenue received; therefore, the current portion considered payable during the year ending December 31, 2018 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.

During 2005, RTASC issued \$24,484,850 of Tobacco Settlement Asset-Backed Subordinate Turbo Capital Appreciation Bonds, Series 2005 A, B and C (collectively “Series 2005”), net of original discount of \$507,590, the proceeds of which were used to pay certain costs of issuance related to the Series 2005 bonds and provide the County, the owner of the beneficial interest in the Residual Trust which holds the Residual Certificate, with the balance of the funds. The Series 2005 bonds are subordinate to both the Series 2001 Bonds, as well as the remaining balance totaling \$3,605,000 of the Tobacco Settlement Asset-Backed Bonds, Series 2003 (“Series 2003”) issued by the Rockland Second Tobacco Asset Securitization Corporation (“RSTASC”). No payments will be made on Series 2005 bonds until such time that the Series 2001 and Series 2003 bonds have been paid in full.

Redemption of the Subordinate Turbo CABs, as outlined in the official statement, is scheduled to be paid through 2060, while early payment is allowed. During the year ended December 31, 2017 RTASC did not make any redemption payments. Any debt service amounts not paid in accordance with the Turbo Redemption Payments schedule will be due and payable on the maturity dates below:

Series 2005A August 15, 2045
Series 2005B August 15, 2050
Series 2005C August 15, 2060

5. NET POSITION

The RTASC financial statements utilize a net position presentation. The total net position of \$(80,062,313) and \$(77,627,372) is categorized as unrestricted at December 31, 2017 and 2016. Unrestricted net position indicates that it is not restricted for any other purpose.

6. RELATED PARTY TRANSACTIONS

The County provides RTASC with administrative services. The cost of these services has been included as a transfers to the County on RTASC's statements of revenues, expenses, and changes in net position. RTASC paid the County \$100,000 for administrative expenses for the years ended December 31, 2017 and 2016.

7. CONTINGENCIES

The ability of RTASC 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 RTASC 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.

8. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 3, 2018, 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 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 Rockland Tobacco Asset Securitization Corporation ("RTASC") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise RTASC's basic financial statements, and have issued our report thereon dated May 3, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered RTASC'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 RTASC's internal control. Accordingly, we do not express an opinion on the effectiveness of the RTASC'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.

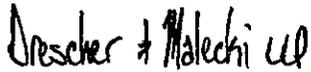
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during 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 RTASC'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.



May 3, 2018