LIVINGSTON TOBACCO ASSET SECURITIZATION CORPORATION
(A Blended Component Unit of the County of Livingston, New York)

Financial Statements as of
December 31, 2015 and 2014
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

LIVINGSTON TOBACCO ASSET SECURITIZATION CORPORATION
(A Blended Component Unit of the County of Livingston, New York)

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Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

March 2, 2016

To the Board of Directors of the
Livingston Tobacco Asset Securitization Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of Livingston Tobacco Asset Securitization Corporation, a blended component unit of the County of Livingston, New York (the Corporation) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions 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.

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(Continued)

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Corporation, as of December 31, 2015 and 2014, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-7 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 2, 2016 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Bonadio & Co., LLP

The following Management's Discussion and Analysis (MD&A) provides a comprehensive overview of the Livingston Tobacco Asset Securitization Corporation's (the Corporation's) financial position as of December 31, 2015 and 2014 and its changes in financial position for the years then ended. This MD&A should be read in conjunction with the financial statements and related footnotes of the Corporation, which directly follow the MD&A.

General Overview

The Corporation is a special purpose, bankruptcy remote local development corporation organized under the Not-For-Profit Corporation Laws of the State of New York (the State). The Corporation was established on October 10, 2000; however, there were no substantive operations until October 15, 2000. The Corporation is an instrumentality of, but separate and apart from the County of Livingston, New York (the County). Pursuant to a Purchase and Sale Agreement with the County, the County sold to the Corporation all of its future rights, title and interest in the Tobacco Settlement Revenues (TSRs) under the Master Settlement Agreement (MSA) and the Decree and Final Judgment (the Decree). The MSA resolved cigarette smoking related litigation between the settling states and the Participating Manufacturers (PMs), released the PMs from past and present smoking related claims, and provided for a continuing release from future smoking related claims, in exchange for certain payments to be made to the settling states, as well as certain tobacco advertising and marketing restrictions, among other things. The Decree, which was entered by the Supreme Court of the State, allocated to the County a share of the TSRs under the MSA. The future rights, title and interest of the County's share were sold to the Corporation and were financed by the issuance of bonds.

Overview of the Financial Statements

The financial statements of the Corporation have been prepared in accordance with accounting principles generally accepted in the United States as prescribed by the Governmental Accounting Standards Board (GASB). The financial statement presentation consists of the following four basic financial Statement:

- Statement of Net Position
- Statement of Activities
- Governmental Fund Balance Sheet and the Reconciliation to the Statement of Net Position
- Statement of Governmental Fund Revenues, Expenditures, and Change in Fund Balance and the Reconciliation to Statement of Activities

The Statement of Net Position and the Statement of Activities are prepared using the economic resource measurement focus and the accrual basis of accounting. Revenues, expenses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, assets and liabilities resulting from non-exchange transactions are recognized when the amounts to be received are measurable and collection is probable. The Governmental Fund Balance Sheet and the Statement of Governmental Fund Revenues, Expenditures and Change in Fund Balance are presented using the current financial resources measurement focus and the modified accrual basis of accounting. These policies are more fully described in the accompanying notes to the basic financial statements.

Overview of the Financial Statements (Continued)
The Statement of Net Position presents all of the Corporation's asset and liability information, with the difference between the two reported as net position. Fluctuations in net position can be a useful indicator of the Corporation's financial position. Restricted net position is restricted as a result of externally imposed conditions and consists of funds in the debt service and liquidity reserve accounts. These accounts were established under the bond indenture to provide for debt service payments for at least one year in the event of insufficient revenues. All other net position is considered unrestricted.

The Statement of Activities present all of the Corporation's revenues, both program and general, expenses, and transfers.

The Governmental Fund Balance Sheet presents the Corporation's assets, deferred inflows and fund balance. This statement uses the debt service fund, a governmental fund type, to report its financial position.

The Statement of Governmental Fund Revenues, Expenditures and Change in Fund Balance present the changes in financial position of the debt service fund.

Financial Highlights
The Corporation reported a negative net position (i.e., liabilities in excess of assets) of $14.47 million as of December 31, 2015, an increase in net position of $188 thousand.

During 2015, the Corporation's TSRs were impacted by a Consumption Decline Trapping Event, which is measured annually under the MSA. Under the MSA, since the number of cigarette shipments in the 50 United States, District of Columbia and Puerto Rico was less than 278,975,486,892, as outlined in the indenture under the "Consumption Decline Trapping Event" definition, for 2014, a trapping event occurred and as of December 1, 2015 and 2014, $1.971 thousand and $1.999 thousand, respectively, was being held by the Trustee.

There were no new debt obligations issued or other major transactions during 2015. Required payments were made in 2007 through and including 2015 against bonds issued in 2000 based upon the TSR's received by the Corporation.

Condensed
Statement of Net Position
(In thousands)

	2015	2014	2013
Total assets	$ 2,395	$ 1,742	$ 1,758
Bonds payable	16,785	16,358	16,096
Other liabilities	82	44	45
Total liabilities	16,867	16,402	16,141
Net position	$ (14,472)	$ (14,660)	$ (14,383)

Financial Highlights (Continued)

Total Assets

The total assets increased $653 from 2014 to 2015 and decreased $16 from 2013 to 2014. The increase in total assets from 2014 to 2015 was primarily due to the accrual of $616 from the Non-Participating Manufacturer Adjustment settlement reached in October 2015. The decrease in total assets from 2013 to 2014 was primarily due to a decrease in TSR receivable of approximately $18.

Total Liabilities

The increase in total liabilities from 2014 to 2015 of $465 reflects the increase in the accretion of outstanding bonds (approximately $601), a decrease in bonds payable (approximately $176) and an expenditure that was not paid to the County during the current year (approximately $40). The increase in total liabilities from 2013 to 2014 of $261 reflects the increase in the accretion of outstanding bonds (approximately $562) and a decrease in bonds payable (approximately $300).

Condensed Statement of Activities
(In thousands)

	2015	2014	2013
Expenses:			
General government -			
Materials and services	$ 48	$ 42	$ 42
Administrative costs	16	15	15
Interest, amortization and fees	1,114	1,091	1,067
Total expenses	1,178	1,148	1,124
Program revenues - tobacco settlement	1,366	871	766
Change in net position	188	(277)	(358)
Net position - beginning of year	(14,660)	(14,383)	(14,025)
Net position - end of year	$ (14,472)	$ (14,660)	$ (14,383)

Expenses

Expenses incurred in both 2015 and 2014 were greater than those incurred in the prior year primarily due to an increase in the amount of interest and accretion recorded in each year.

Revenues

Total revenues recorded during 2015 were $495 more than those recorded in 2014. This was mainly due to the accrual of $616 from the Non-Participating Manufacturer Adjustment settlement reached in October 2015. Revenues recorded during 2014 were greater than those recorded in 2013. TSRs increased by $105 in 2014 compared to 2013.

Financial Highlights (Continued)

Financial Analysis of the Corporation's Fund Financial Statements

The Corporation uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

The focus of the Corporation's governmental fund reporting is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Corporation's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Corporation's net resources available for spending at the end of the year.

As of December 31, 2015, the Corporation's debt service fund reported an ending fund balance of $940, representing a $6 increase from the prior year. $45 of fund balance is unassigned and is available for the Corporation's future needs. The remainder of fund balance is reserved to indicate that it is not available for spending because it has already been restricted to pay future debt service and fund bond issuance costs.

As of December 31, 2014, the Corporation's debt service fund reported an ending fund balance of $934, representing a $3 increase from the prior year. $48 of fund balance is unassigned and is available for the Corporation's future needs. The remainder of fund balance is reserved to indicate that it is not available for spending because it has already been restricted to pay future debt service and fund bond issuance costs.

Debt Service

Debt obligations of the Corporation as of December 31, 2015 consist of the Series 2005 Tobacco Settlement Asset-Backed Bonds and the remaining balance of the Series 2000 Tobacco Settlement Asset-Backed Bonds. The total amount of the Series 2005 Bonds and Series 2000 Bonds outstanding at December 31, 2015 was $12.497 thousand. None of the outstanding Series 2005 Bonds were considered current since none were due within twelve months of year-end. The Series 2005 Bonds were not rated since they were sold to the New York Counties Tobacco Trust V, an unrelated trust established by participating local development corporations, including the Corporation. The 2005 Bonds were structured, however, to enable the New York Counties Tobacco Trust V bonds to attain the following ratings:

Bond Series	Standard & Poor's	Fitch
2005 S1	BBB -	BBB
2005 S2	BBB -	BBB -
2005 S3	BBB -	BB
2005 S4A	Non-rated	Non-rated
2005 S4B	Non-rated	Non-rated

Debt Service (Continued)
The Series 2000 Bonds are composed of the following:

- $725,000 Tobacco Settlement Asset-Backed Bonds, Series 2000 (Tax Exempt Turbo Bonds), maturity date is June 1, 2019, interest rate of 6.40%.
- $1,195,000 Tobacco Settlement Asset-Backed Bonds, Series 2000 (Tax Exempt Turbo Bonds), maturity date is June 1, 2023, interest rate of 5.80%.
- $1,935,000 Tobacco Settlement Asset-Backed Bonds, Series 2000 (Tax Exempt Turbo Bonds), maturity date is June 1, 2028, interest rate of 6.25%.
- $2,940,000 Tobacco Settlement Asset-Backed Bonds, Series 2000 (Tax Exempt Turbo Bonds), maturity date is June 1, 2035, interest rate of 6.50%.
- $3,490,000 Tobacco Settlement Asset-Backed Bonds, Series 2000 (Tax Exempt Turbo Bonds), maturity date is June 1, 2042, interest rate of 6.625%.

The Series 2005 Bonds are composed of the following:

- $1,607,765 Tobacco Settlement Asset-Backed Bonds, Series 2005 S1 (Tax Exempt Turbo Capital Appreciation Bonds), maturity date is June 1, 2038, with an accreted value at maturity of $7,667,235.
- $1,025,287 Tobacco Settlement Asset-Backed Bonds, Series 2005 S2 (Tax Exempt Turbo Capital Appreciation Bonds), maturity date is June 1, 2050, with an accreted value at maturity of $13,844,714.
- $593,061 Tobacco Settlement Asset-Backed Bonds, Series 2005 S3 (Tax Exempt Turbo Capital Appreciation Bonds), maturity date is June 1, 2055, with an accreted value at maturity of $16,051,939.
- $1,701,024 Tobacco Settlement Asset-Backed Bonds, Series 2005 S4B (Tax Exempt Turbo Capital Appreciation Bonds), maturity date is June 1, 2060, with an accreted value at maturity of $111,398,976.

Payments on the outstanding capital appreciation bonds are based on the accreted value of the bonds at their stated maturity. The accretion of these capital appreciation bonds over their life results in the recognition of substantial annual interest costs until the capital appreciation bonds are redeemed. Reference should be made to the Bonds Payable footnote in the financial statement for a summary of the required principal and interest (which includes accretion of the capital appreciation bonds) payments.

Contacting the Corporation
This financial report is designed to provide a general overview of the Corporation's finances and to demonstrate the Corporation's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer, Livingston Tobacco Asset Securitization Corporation, 6 Court Street, Geneseo, New York, 14454.

LIVINGSTON TOBACCO ASSET SECURITIZATION CORPORATION
(A Blended Component Unit of the County of Livingston, New York)

STATEMENT OF NET POSITION
DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 84,937	$ 48,293
Tobacco settlement revenues receivable	1,414,284	808,771
Restricted cash and cash equivalents	895,433	885,321
Total current assets	2,394,654	1,742,385
Total assets	$ 2,394,654	$ 1,742,385
LIABILITIES		
CURRENT LIABILITIES:		
Current portion bonds payable	$ 120,000	$ 110,000
Due to other governments	40,000	-
Accrued interest	42,463	44,380
Total current liabilities	202,463	154,380
BONDS PAYABLE, net of current portion	16,664,723	16,248,082
Total liabilities	16,867,186	16,402,462
NET POSITION		
Restricted for debt service	895,433	885,321
Unrestricted	(15,367,965)	(15,545,398)
Total net position	$ (14,472,532)	$ (14,660,077)

The accompanying notes are an integral part of these statements.

LIVINGSTON TOBACCO ASSET SECURITIZATION CORPORATION
(A Blended Component Unit of the County of Livingston, New York)

STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
EXPENSES:		
General government -		
Materials and services	$ 47,981	$ 42,321
Administrative costs	15,963	14,913
Interest	1,114,537	1,090,591
Total expenses	1,178,481	1,147,825
PROGRAM REVENUE:		
Tobacco settlement revenues	1,366,010	871,041
Net program revenues	187,529	(276,784)
GENERAL REVENUES - INVESTMENT INCOME	16	31
CHANGE IN NET POSITION	187,545	(276,753)
NET POSITION - beginning of year	(14,660,077)	(14,383,324)
NET POSITION - end of year	$ (14,472,532)	$ (14,660,077)

The accompanying notes are an integral part of these statements.

LIVINGSTON TOBACCO ASSET SECURITIZATION CORPORATION
(A Blended Component Unit of the County of Livingston, New York)

GOVERNMENTAL FUND BALANCE SHEET AND RECONCILIATION TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Cash and cash equivalents	$ 84,937	$ 48,293
Tobacco settlement revenues receivable	1,414,284	808,771
Restricted cash and cash equivalents	895,433	885,321
Total assets	$ 2,394,654	$ 1,742,385
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES		
LIABILITIES		
Due to other governments	$ 40,000	$ -
Total liabilities	40,000	-
DEFERRED INFLOWS		
Tobacco settlement revenue	1,414,284	808,771
Total deferred inflows	1,414,284	808,771
FUND BALANCES:		
Restricted for -		
Debt service	895,433	885,321
Unassigned	44,937	48,293
Total fund balance	940,370	933,614
Total liabilites,deferred inflow, and fund balance	$ 2,394,654	$ 1,742,385
Amounts reported for governmental activities in the statement of net position are different because:		
Total fund balance	$ 940,370	$ 933,614
Tobacco settlement revenues were not received in the current period and therefore, are not reported as revenues at the fund level	1,414,284	808,771
Bonds payable and accrued interest are not due and payable in the current period and therefore, are not reported at the fund level	(16,827,186)	(16,402,462)
Total net position	$ (14,472,532)	$ (14,660,077)

The accompanying notes are an integral part of these statements.

LIVINGSTON TOBACCO ASSET SECURITIZATION CORPORATION
(A Blended Component Unit of the County of Livingston, New York)

STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE AND RECONCILIATION TO STATEMENT OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
REVENUES:		
Tobacco settlement revenues	$ 760,497	$ 888,676
Interest and dividends	16	31
Total revenues	760,513	888,707
EXPENDITURES:		
Materials and services	47,981	42,321
Administrative costs	15,963	14,913
Debt service - principal	175,000	300,000
Debt service - interest	514,813	529,262
Total expenditures	753,757	886,496
CHANGE IN FUND BALANCE	6,756	2,211
FUND BALANCE - beginning of year	933,614	931,403
FUND BALANCE - end of year	$ 940,370	$ 933,614
Amounts reported for governmental activities in the statement of activities are different because:		
Change in fund balance	$ 6,756	$ 2,211
Tobacco settlement revenues reported in the statement of activities were not received in time to pay current financial obligations and therefore, have not been reported as revenue in the governmental fund	605,513	(17,635)
The net effect of bond repayments and interest expense are activities of the governmental fund but not reported in the statement of activities	(424,724)	(261,329)
Change in net position	$ 187,545	$ (276,753)

The accompanying notes are an integral part of these statements.

1. ORGANIZATION

The Livingston Tobacco Asset Securitization Corporation (the Corporation) is a special purpose, bankruptcy remote local development corporation organized under the Not-For-Profit Corporation Law of the State of New York (the State). The Corporation was established on October 10, 2000; however, there were no substantive operations until October 15, 2000. The Corporation is an instrumentality of, but separate and apart from the County of Livingston, New York (the County). The Corporation will have not less than three nor more than five directors, consisting of Ex-Officio Directors during the tenure of their respective offices in the County, and Appointed Directors who will serve 1-year terms. Although legally separate from the County, the Corporation is a component unit of the County and, accordingly, is included in the County's basic financial statement as a blended component unit.

On October 15, 2000, pursuant to a Purchase and Sale Agreement with the County, the County sold to the Corporation all of its future rights, title and interest in the Tobacco Settlement Revenues (TSRs) under the Master Settlement Agreement (MSA) and the Decree and Final Judgment (the Decree). The MSA resolved cigarette smoking related litigation between the settling states and the Participating Manufacturers (PMs), released the PMs from past and present smoking related claims, and provided for a continuing release from future smoking related claims, in exchange for certain payments to be made to the settling states, as well as certain tobacco advertising and marketing restrictions, among other things. The Decree, which was entered into by the Supreme Court of the State, allocated to the County a share of the TSRs under the MSA. The future rights, title and interest of the County's share were sold to the Corporation.

The Corporation's purchase of the County's future rights, title and interest in the TSRs was financed by the original Series 2000 bond issuance. A Residual Certificate exists which represents the entitlement to receive all amounts required to be distributed after payment of debt service, operating expenses and certain other costs of the Corporation as set forth in the Indenture. Payments on the Residual Certificate from TSR collections are subordinate to payments on the bonds and payment of certain other costs specified in the Indenture. Excess TSRs not required by the Corporation to pay various expenses, debt service or required reserves with respect to the bonds are transferred to the Livingston TASC Residual Trust (the Trust), as owner of the Residual Certificate. The County is the beneficial owner of the Trust and thus the funds received by the Trust will ultimately transfer to the County.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Corporation's financial statements are prepared in conformity with accounting principles generally accepted in the United States as prescribed by the Governmental Accounting Standards Board (GASB). The Corporation's government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The Corporation's fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Corporation considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and claims and judgments, are recorded only when payment is due.

The major governmental fund is the Debt Service Fund. The Debt Service Fund accounts for the resources accumulated and payments made for operations and principal debt service on long-term general obligation debt.

Net Position

Generally accepted accounting principles require that resources be classified for accounting purposes into applicable categories of net position.

Unrestricted net position is the portion of net position that is not restricted, but which may be internally designated by the Board of Directors. At December 31, 2015 and 2014, the unrestricted net position deficit was $(15,367,965) and $(15,545,398), respectively, and none was internally designated.

Net position is reported as restricted when constraints placed on its use are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted net position of the Corporation is restricted as a result of externally imposed conditions and include amounts restricted for debt service.

The Corporation has adopted a practice of utilizing its restricted net position when available, prior to unrestricted net position.

Fund Balance

GASB requires more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- **Nonspendable** - These are amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The Corporation has no nonspendable fund balance.

- **Restricted** - These are amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The Corporation had $895,433 and $885,321 of restricted fund balance for debt service at December 31, 2015 and 2014, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

- **Committed** - These are amounts that can be used only for specific purposes determined by a formal action of the Board of Directors prior to year-end. The Board of Directors is the highest level of decision-making authority for the Corporation. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Directors. The Corporation had no committed fund balance.

- **Assigned** - These are amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Board of Directors makes a determination of the assigned amounts of fund balance. The Corporation had no assigned fund balance.

- **Unassigned** - These are all other spendable amounts.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Corporation considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Directors has provided otherwise in its commitment or assignment actions.

Cash and Cash Equivalents

The Corporation considers bank deposit accounts and all highly liquid debt instruments with remaining maturities, when purchased, of 12 months or less to be cash equivalents and these are stated at fair value. The Corporation maintains a liquidity reserve account, which must be maintained at a minimum of $881,089 until such time that all bonds, other than subordinated bonds, are paid. All amounts withdrawn from this account are replenished, as needed, and amounts in excess of the required amount are transferred out. This account is included in restricted cash and cash equivalents on the balance sheet.

Tobacco Settlement Revenues Receivable

The Corporation records a receivable for TSRs and does not accrue interest on unpaid amounts. The Corporation has not recorded an allowance for doubtful accounts related to the TSRs and does not anticipate future write-offs.

Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the Balance Sheet and Statement of Net Position will sometimes report a separate section for deferred outflows/inflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

Income Taxes

The Corporation is a not-for-profit corporation and is exempt from income taxes as an organization qualified under Section 501(c)(3) of the Internal Revenue Code. The Corporation has also been classified by the Internal Revenue Service as an entity that is not a private foundation. The Corporation is also exempt from Federal reporting requirements under Internal Revenue Service Revenue Procedures 95-48, 1995-2 C.B. 418 as a governmental unit or affiliate of a governmental unit described in the procedure.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. DEPOSITS AND INVESTMENTS

Investment and Deposit Policy

The Corporation follows an investment and deposit policy as outlined in the Bond Indenture, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, state and other legal requirements; provide sufficient liquidity of invested funds in order to meet obligations as they become due; and attainment of a market rate of return. Oversight of investment activity is the responsibility of the Treasurer of the Corporation.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The Corporation does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Corporation's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The Corporation's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Obligations of the United States of America;
- Obligations guaranteed by the United States of America where payment of principal and interest are guaranteed by the United States of America;
- Obligations of the State of New York;
- Special time deposit accounts;
- Certificates of Deposit;
- Commercial Paper;
- Repurchase agreements limited to obligations of the United States of America, or obligations whose principal and interest are fully guaranteed, or insured by the United States of America. The term of each agreement shall generally not exceed 180 days. The agreement shall be confirmed in writing by the seller, and each security purchased under the agreement shall be specifically identified; segregated from the assets of the seller and delivered for safekeeping into an account designated and controlled by the Corporation. Also, each seller shall enter into a master Repurchase Agreement with the Corporation which shall specify the rights and obligations of the Corporation and the Seller in all transactions;
- Obligations of public authorities, public housing authorities, urban renewal agencies, and industrial development agencies where the general State statutes governing such entities or whose specific enabling legislation authorizes such investments; and
- Obligations issued pursuant to New York State Local Finance Law Section 24.00 and 25.00 (with approval of the New York State Comptroller) by any municipality, school district or district corporation other than the Corporation.

3. DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk - deposits is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the Corporation's investment and deposit policy, all deposits of the Corporation including certificates of deposit and special time deposits, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIA) shall be secured by a pledge of securities with an aggregate value equal to the aggregate amount of deposits. The Corporation restricts the securities to the following eligible items:

- Obligations issued, or fully insured or guaranteed as to the payment of principal and interest, by the United States of America, an agency thereof or a United States government sponsored corporation;
- Obligations issued or fully guaranteed by the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, and the African Development Bank;
- Obligations partially insured or guaranteed by any agency of the United States of America;
- Obligations issued or fully insured or guaranteed by the State of New York;
- Obligations issued by a municipal corporation, school district or district corporation of New York State;
- Obligations of any public benefit corporation, which under a specific State statute may be accepted as security for deposit of public monies;
- Obligations issued by states (other than the State of New York) of the United States rated in one of the two highest rating categories by at least one Nationally Recognized Statistical Rating Organization (NRSRO);
- Obligations of Puerto Rico rated in the highest rating category by at least one NRSRO;
- Obligations of counties, cities and other governmental entities of a state other than the State of New York having the power to levy taxes that are backed by the full faith and credit of such governmental entity and rated in one of the two highest categories by at least one NRSRO;
- Obligations of domestic corporations rated in one of the two highest rating categories by at least one NRSRO; and
- Zero coupon obligations of the United States of America marketed as "treasury strips."

As of December 31, 2015 and 2014, the carrying amount of the Corporation's cash and cash equivalents was $84,937 and $48,293, respectively, and were fully insured under the FDIC.

Custodial credit risk - investments is the risk that an entity will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails. The Corporation's investment and deposit policy requires that all custodial investments be registered or insured in the Corporation's name and held in the custody of the bank or the bank's trust department. The Corporation requires that all repurchase agreements be limited to obligations of the United States of America or obligations whose principal and interest are fully guaranteed, or insured by the United States of America. As of December 31, 2015 and 2014, the Corporation's investments, with maturities of less than one year, were in compliance with the investment and deposit policy as follows:

Investment Type	2015	2014
Money market fund (U.S. Treasuries)	$ 895,433	$ 885,321

3. DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk

The Corporation places no limit on the amount that may be invested in any one issuer. At December 31, 2015 and 2014, all amounts were held by one bank.

Under the terms of the Indenture, the Corporation is required to maintain certain deposits to fund debt service payments, if needed. Such deposits are included in restricted cash and cash equivalents in the basic financial statement. In addition, the Corporation is subject to various debt covenants, including limitations on expenses/expenditures, and compliance with Indenture agreement requirements. The Corporation was in compliance with all covenants and Indenture agreement requirements at December 31, 2015 and 2014.

The Corporation had the following reserve funds as of December 31:

Investments	2015	2014
Liquidity reserve	$ 881,089	$ 881,090
Other reserve accounts	14,344	4,231
Total	$ 895,433	$ 885,321

4. BONDS PAYABLE

The original purchase price for the County's future rights, title and interest in the TSRs was financed through the issuance of Series 2000 Bonds in the amount of $11,065,000 with interest at rates ranging from 5.80% to 6.625%. The Series 2000 Bonds are secured by a perfected security interest in, and pledge of, the Trust Estate, as defined in the Indenture, which includes, among other things, the TSRs and all investment earnings on amounts on deposit in the accounts established under the Indenture (collectively, the Collections). Among the accounts so established were the Liquidity Reserve Account and the Debt Service Account. The Corporation retains TSRs in an amount sufficient to service its debt and pay its operating expenses.

The Series 2005 Bonds are payable solely from and secured solely by the future right, title and interest of the Corporation in the collection of TSRs previously purchased by the Corporation from the County. The Series 2005 Bonds are subordinate and subject to the rights of the holders of the Series 2000 Bonds previously issued by the Corporation. This series consists of subordinate turbo capital appreciation bonds (CAB) that provide long-dated financing for the Corporation and take advantage of current market conditions where interest rates are low, investors have a favorable view of litigation events and where institutional investors are looking for high yield investments. The Corporation is required by covenant not to issue additional bonds or refunding bonds that would extend the term of the capital appreciation bonds or other outstanding bonds. The Corporation remitted the net proceeds from issuance of the Series 2005 Bonds to the County to be used for the expansion of the County jail facilities.

4. BONDS PAYABLE (Continued)

The Series 2000 Bonds are composed of the following:

- $725,000 Tobacco Settlement Asset-Backed Bonds, Series 2000 (Tax Exempt Turbo Bonds), maturity date is June 1, 2019, interest rate of 6.40%.
- $1,195,000 Tobacco Settlement Asset-Backed Bonds, Series 2000 (Tax Exempt Turbo Bonds), maturity date is June 1, 2023, interest rate of 5.80%.
- $1,935,000 Tobacco Settlement Asset-Backed Bonds, Series 2000 (Tax Exempt Turbo Bonds), maturity date is June 1, 2028, interest rate of 6.25%.
- $2,940,000 Tobacco Settlement Asset-Backed Bonds, Series 2000 (Tax Exempt Turbo Bonds), maturity date is June 1, 2035, interest rate of 6.50%.
- $3,490,000 Tobacco Settlement Asset-Backed Bonds, Series 2000 (Tax Exempt Turbo Bonds), maturity date is June 1, 2042, interest rate of 6.625%.

The Series 2005 Bonds are composed of the following:

- $1,607,765 Tobacco Settlement Asset-Backed Bonds, Series 2005 S1 (Tax Exempt Turbo Capital Appreciation Bonds), maturity date is June 1, 2038, with an accreted value at maturity of $7,667,235.
- $1,025,287 Tobacco Settlement Asset-Backed Bonds, Series 2005 S2 (Tax Exempt Turbo Capital Appreciation Bonds), maturity date is June 1, 2050, with an accreted value at maturity of $13,844,714.
- $593,061 Tobacco Settlement Asset-Backed Bonds, Series 2005 S3 (Tax Exempt Turbo Capital Appreciation Bonds), maturity date is June 1, 2055, with an accreted value at maturity of $16,051,939.
- $1,701,024 Tobacco Settlement Asset-Backed Bonds, Series 2005 S4B (Tax Exempt Turbo Capital Appreciation Bonds), maturity date is June 1, 2060, with an accreted value at maturity of $111,398,976.

Long-term indebtedness for the Corporation's bonds payable consisted of the following:

	2015	2014
Balance - beginning of year	$ 12,671,860	$ 12,971,860
Repayments of bonds	(175,000)	(300,000)
Balance - end of year	12,496,860	12,671,860
Add: Accretion of capital appreciation bonds	4,287,863	3,686,222
Total	$ 16,784,723	$ 16,358,082
Required payments due within one year	$ 120,000	$ 110,000

4. BONDS PAYABLE (Continued)

Principal and interest payments (including accretion on capital appreciation bonds) based upon the required maturities are as follows for the years ended December 31:

	Required Maturities		
	Principal	Interest/ Accretion	Total
2016	$ 120,000	$ 1,173,696	$ 1,293,696
2017	120,000	1,213,340	1,333,340
2018	235,000	1,252,464	1,487,464
2019	250,000	1,291,901	1,541,901
2020	-	1,284,026	1,284,026
2021 - 2025	-	7,736,489	7,736,489
2026 - 2030	1,550,000	9,726,030	11,276,030
2031 - 2035	2,055,000	12,291,872	14,346,872
2036 - 2040	3,732,489	14,242,014	17,974,503
2041 - 2045	1,115,000	17,362,641	18,477,641
2046 - 2050	1,025,287	24,428,333	25,453,620
2051 - 2055	593,061	29,909,372	30,502,433
2056 - 2060	1,701,023	33,120,204	34,821,227
	$ 12,496,860	$ 155,032,382	$ 167,529,242

Required maturities for the Series 2000 Bonds are dependent on the extent of actual collections from the TSRs and availability of funds in accordance with a flexible amortization payment schedule. Required maturities for the Series 2005 Bonds represent the minimum amount of principal that the Corporation must pay as of the specific distribution dates in order to avoid a default. Turbo (accelerated) amortization payments are required to be made against outstanding principal providing that the Corporation receives sufficient TSRs to make the Turbo payments. The interest payment requirements shown are based on the required principal maturity schedule and include the accreted value portion of capital appreciation bonds in the year in which they are required to be redeemed.

Principal payments of $175,000 and $300,000 were made during 2015 and 2014, respectively.

Interest

Interest expense on bonds payable was $1,114,537 and $1,090,591 in 2015 and 2014, respectively. In 2015 and 2014, cash paid for interest was $514,813 and $529,262, respectively.

5. TRANSACTIONS WITH LIVINGSTON COUNTY

In addition to setting forth the terms and conditions of the sale and purchase of the TSRs, the Purchase and Sale Agreement also provides for separate consideration to retain the County to act as Administrator with respect to the preparation of all reports and other instruments and documents that it is the duty of the Corporation to prepare, execute, file or deliver pursuant to the Indenture and the related agreements.

The Purchase and Sale Agreement also contemplates the lease by the Corporation of office space and telephone service from the County, and the sharing of overhead and operating services and expenses (including shared employees, consultants and agents and reasonable legal and auditing expenses) on the basis of actual use or value of such services, or otherwise on a basis reasonably related thereto.

The cost to the Corporation for the services provided by the County was approximately $42,000 in 2015 and $38,000 in 2014.

No funds considered a residual amount in accordance with the Indenture were available or transferred to the Trustee and ultimately the County in 2015 or 2014.

6. NET POSITION DEFICIT

The Corporation has a deficit in net position as a result of the outstanding bonds. Throughout the life of the bonds, due to the accretion on capital appreciation bonds, the net position deficit will continue to increase. Once sufficient TSRs are collected through the life of these bonds and these outstanding bonds are repaid, the net position deficit will be eliminated.

7. CONTINGENCIES

Future TSRs are subject to adjustment based upon tobacco consumption, inflation and other factors. Pursuant to the Indenture, these adjustments and other events could trigger additional debt service reserve requirements.

During 2015, the Corporation's TSRs were impacted by a Consumption Decline Trapping Event, which is measured annually under the MSA. Under the MSA, since the number of cigarette shipments in the 50 United States, District of Columbia and Puerto Rico was less than 278,975,486,892 as outlined in the indenture under the "Consumption Decline Trapping Event" definition, a trapping event occurred and as of December 31, 2015 and 2014, $1,971,250 and $1,998,750, respectively was being held by the Trustee.

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

March 2, 2016

To the Board of Directors of
Livingston 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 statement of the governmental activities and the major fund of Livingston Tobacco Asset Securitization Corporation, a blended component unit of the County of Livingston, New York (the Corporation) as of and for the year ended December 31, 2015, and the related notes to the financial statement, which collectively comprise the Corporation's basic financial statement, and have issued our report thereon dated March 2, 2016.

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

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

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

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Corporation's financial statement 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.

Bonadio & Co., LLP