

**GREENE TOBACCO ASSET
SECURITIZATION CORPORATION**
(a blended component unit of Greene County, New York)

BASIC FINANCIAL STATEMENTS
(and Report of Independent Auditors)

December 31, 2011

GREENE TOBACCO ASSET SECURITIZATION CORPORATION
(a blended component unit of Greene County, New York)

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of net assets (deficit) and governmental fund balance sheet of Greene Tobacco Asset Securitization Corporation (a blended component unit of Greene County, New York), (the "Corporation") at December 31, 2011 and the related statement of activities and governmental fund revenues, expenditures and changes in fund balance and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

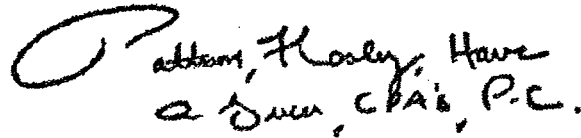
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 Greene Tobacco Asset Securitization Corporation as of December 31, 2011, and the respective changes in financial position, therefore the year then ended in conformity with accounting principles generally accepted in the United States of America.

Greene Tobacco Asset Securitization Corporation has not presented management's discussion and analysis (MD&A) and budgetary comparison schedules that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2012, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As discussed in Note A 4, the Corporation adopted GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" in 2011.

A handwritten signature in black ink that reads "Patrick Hooley, CPA's, P.C." The signature is written in a cursive style with a large initial "P".

Catskill, New York
March 15, 2012

GREENE TOBACCO ASSET SECURITIZATION CORPORATION
 (a blended component unit of Greene County, New York)
STATEMENT OF NET ASSETS (DEFICIT) AND
GOVERNMENTAL FUND BALANCE SHEET
 December 31, 2011

	Debt Service Fund and Total Governmental Funds	Entity-wide Adjustments	Statement of Net Assets (Deficit)
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 124,501	\$ -	\$ 124,501
Prepaid insurance	-	2,591	2,591
Tobacco settlement receivables	594,529	-	594,529
Total current assets	719,030	2,591	721,621
Noncurrent assets:			
Restricted investments held by fiscal agent	666,522	-	666,522
Bond issuance costs, net	-	192,862	192,862
Total noncurrent assets	666,522	192,862	859,384
Total assets	\$ 1,385,552	\$ 195,453	\$ 1,581,005
LIABILITIES			
Current liabilities:			
Interest payable	\$ -	\$ 42,940	\$ 42,940
Bonds payable, current portion	-	100,000	100,000
Total current liabilities	-	142,940	142,940
Long-term liabilities:			
Bonds payable, net of current portion	-	13,176,216	13,176,216
Total long-term liabilities	-	13,176,216	13,176,216
Total liabilities	-	13,319,156	13,319,156
FUND BALANCE/NET ASSETS (DEFICIT)			
Fund Balance:			
Unassigned	124,501	(124,501)	-
Restricted for debt service	1,261,051	(1,261,051)	-
Total fund balance	1,385,552	(1,385,552)	-
Total liabilities and fund balance	\$ 1,385,552		
Net Assets (Deficit):			
Restricted		(13,123,703)	(11,738,151)
Total liabilities and net assets (deficit)		\$ 195,453	\$ 1,581,005

See independent auditors' report. See notes to financial statements.

GREENE TOBACCO ASSET SECURITIZATION CORPORATION
 (a blended component unit of Greene County, New York)
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/NET ASSETS
 Year ended December 31, 2011

	Debt Service Fund and Total Governmental Funds	Full Accrual Adjustments	Statement of Activities
General revenues:			
Other financing sources			
Administrative fee income	\$ 34,303	\$ -	\$ 34,303
Interest and dividend income	86	-	86
Tobacco settlement revenue	522,033	-	522,033
Total general revenues	<u>556,422</u>	<u>-</u>	<u>556,422</u>
General expenditures/expenses:			
Other financing uses			
Interest	491,963	221,331	713,294
Debt service principal payments	60,000	(60,000)	-
Professional fees - Officers	3,000	-	3,000
Professional fees - Legal	4,750	-	4,750
Professional fees - Audit	5,000	-	5,000
Administrative fees - Other	950	-	950
Trustee fees	9,327	-	9,327
Insurance	3,446	4,487	7,933
Amortization	-	5,705	5,705
Total expenditures/expenses	<u>578,436</u>	<u>171,523</u>	<u>749,959</u>
Change in fund balance/net assets (deficit)	<u>(22,014)</u>	<u>(171,523)</u>	<u>(193,537)</u>
Fund balance/net assets (deficit), beginning of year	<u>1,407,566</u>	<u>(12,952,180)</u>	<u>(11,544,614)</u>
Fund balance/net assets (deficit), end of year	<u>\$ 1,385,552</u>	<u>\$ (13,123,703)</u>	<u>\$ (11,738,151)</u>

See independent auditors' report. See notes to financial statements.

GREENE TOBACCO ASSET SECURITIZATION CORPORATION
NOTES TO FINANCIAL STATEMENTS

A. Summary of Significant Accounting Policies:

1. Organization:

Greene Tobacco Asset Securitization Corporation (GTASC) was incorporated October 17, 2000 as a local development corporation by the County of Greene, New York (the County) under the provisions of Section 1411 of the New York State Not-For-Profit Corporation Law and as a Public Authority they are subject to the Public Authority Accountability Act of 2005. Its purpose is to issue bonds securitized solely from County Tobacco Settlement Revenues under the Master Settlement Agreement dated November 23, 1998, purchased from the County under the Purchase and Sale Agreements dated October 15, 2000, August 25, 2005, and November 25, 2005 and to forward to the County the net proceeds from the bond issuance. GTASC paid off the 2000 bond series during 2005 through a debt reconstructive plan. The plan involved selling a 2005 bond series. The Corporation is treated as a blended component unit of the County.

2. General:

The accompanying general purpose financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America for governments as prescribed by Governmental Accounting Standards Board (GASB) which is the primary standard setting body for establishing governmental accounting and financial reporting principles.

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The 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.

Governmental 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 considered measurable and available. Revenues are considered 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 one year after the end of the current fiscal period. The Corporation applies GASB Technical Bulletin No. 2004-1 "Tobacco Settlement Recognition and Financial Report Entity Issues" and recognizes tobacco settlement revenue when the event giving rise to recognition (i.e., the domestic shipment of cigarettes) occurs. Expenditures generally are recorded when a liability is incurred.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers who purchase, use, or benefit from the services provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted interest income and tobacco settlement rights not included among program revenues are reported as general revenues. The Corporation has no program revenues.

See independent auditors' report.

GREENE TOBACCO ASSET SECURITIZATION CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

A. Summary of Significant Accounting Policies (Continued):

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

In addition to the government-wide financial statements, the Corporation has prepared financial statements for the Corporation's only governmental fund. Governmental fund financial statements continue to use the modified accrual basis of accounting and the current financial resources measurement focus. Due to the single purpose nature of the activities of the Corporation, the government-wide and fund financial statements have been presented together with an adjustments column reconciling the differences.

The Corporation reports one governmental fund - the Debt Service Fund. As a blended component unit of Greene County, New York, the Debt Service Fund is combined into the Governmental funds of Greene County, New York. When both restricted and unrestricted resources are available for use, it is the Corporation's policy to use restricted resources first, then unrestricted resources as they are needed.

Under the entity-wide basis the Corporation is required to report the full amount of the bonds outstanding, however, cannot recognize the tobacco settlement revenue to be received in the future. The future collection of tobacco settlement revenue (TSR) is dependent on many factors, including future cigarette consumption. As such, the future collection is not reasonably estimatable and is not recorded as an asset in either the government-wide financial statements or the governmental fund financial statements. This results in a significant deficit in net assets on the government wide financial statements.

4. Fund Balances:

In fiscal 2011, the Town implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" (GASB 54). GASB 54 changed the classification of fund balance to focus on the constraints imposed on resources in governmental funds, instead of the previous focus on availability for appropriation.

Fund balance is now broken down into five different classifications: nonspendable, restricted, committed, assigned, and unassigned.

Nonspendable consists of assets that are inherently nonspendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and principal of endowments.

Restricted consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

See independent auditors' report.

GREENE TOBACCO ASSET SECURITIZATION CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

A. Summary of Significant Accounting Policies (Continued):

4. Fund Balances (Continued):

Committed consists of amounts that are subject to a purpose constraint imposed by a formal action of the government's highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint. The Corporation's Board is the decision-making authority that can, by passing a resolution prior to the end of the fiscal year, commit fund balance.

Assigned consists of amounts that are subject to a purpose constraint that represents an intended use established by the government's highest level of decision-making authority, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance.

Unassigned represents the residual classification for the government's general fund, and could report a surplus or deficit. In funds other than the general fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When resources are available from multiple classifications, the Corporation spends funds in the following order: restricted, committed, assigned, unassigned.

As a result of adopting GASB 54, the Corporation recategorized its only Special Revenue Fund to a Debt Service Fund because the only restriction that exists related to the tobacco revenue received is to service the outstanding debt.

5. Use of 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. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

6. Income Tax Status:

The Corporation is exempt from federal income tax under Section 115 (1) of the Internal Revenue Code and from state income tax under Section 1411 of the State Not-For-Profit Corporation Code.

See independent auditors' report.

GREENE TOBACCO ASSET SECURITIZATION CORPORATION
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

A. Summary of Significant Accounting Policies (Continued):

7. Investments:

Under the GASB's authoritative guidance on accounting and financial reporting for investments, the Corporation reports investments at amortized cost in the statement of net assets and governmental fund balance sheet as all investments are in commercial paper with maturity dates within one year. All investment income is reported as revenue in the statement of activities and the statement of revenues, expenditures, and changes in fund balance.

B. Cash and Cash Equivalents:

Cash includes cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date acquired by the Corporation. The carrying values of cash at December 31, 2011 was \$124,501 and is covered by Federal Depository Insurance.

C. Restricted Investments Held By Fiscal Agent:

Investments held by the fiscal agent consist of a Liquidity Reserve, Issuance, Collection and Debt Service accounts.

The Liquidity Reserve Account, administered by a trustee, was established and initially funded from bond proceeds. This account serves as collateral for the Corporation's bonds and is used to pay interest and required amortization payments in the event the Corporation defaults on the required annual principal and interest payments made from the Turbo and Debt Service Accounts.

The Collection Account, administered by a trustee, serves to receive proceeds from tobacco companies under the Master Settlement Agreement. Funds are transferred to the Debt Service and Turbo Accounts to cover principal and interest payments respectively. The Collection Account is also used to pay certain Trustee fees.

The Debt Service Account, administered by a trustee, serves to remit interest payments to bond holders.

The Turbo Account, administered by a trustee, serves to remit principal payments to bond holders.

Investments held by fiscal agent at year-end consisted of money market funds as follows:

August 2005 Series

Liquidity Reserve	\$ 648,407
Issuance Fund	13,716
Turbo	2,918
Debt Service	1,298
Collection	183
Total Restricted Investments held by Fiscal Agent	\$ 666,522

See independent auditors' report.

GREENE TOBACCO ASSET SECURITIZATION CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

C. Restricted Investments Held By Fiscal Agent (Continued):

Money market funds were fully collateralized at year-end.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Corporation manages and attempts to minimize interest rate risk by investing in short-term investments that mature within one year, so that they can react to changing interest rates and invest in securities that provide the highest yield without exceeding interest rates on the TASC bonds.

D. Tobacco Settlement Receivable:

As purchaser of the County's Tobacco Assets under the Master Settlement Agreement, per the Purchase and Sale Agreement dated August 25, 2005 and November 25, 2005 between the Corporation and the County, the Corporation obtained all right, title and interest, exclusive of the 100% Beneficial Interest in the Residual Trust, of the Tobacco Assets. Total available funds over the life of the bonds including earnings on the Liquidity Reserve less annual operating expense allocations estimated at \$59.6 million at the bond issuance date are dependent upon numerous variables. These variables are identified in the Bond Offering Statement dated August 25, 2005 and November 25, 2005.

Collections of funds in excess of debt service requirements, should they occur, will be residual payments, the rights to which have been retained by the County.

The Tobacco Settlement Receivable of \$594,529 as of December 31, 2011 consists of estimated revenue that will be received in 2012 for 2011 tobacco sales.

E. Bond Issuance Costs:

The original bond issue from 2000 was paid off and the unamortized bond issuance cost was expensed in 2005. There are two Bond issuance costs of \$159,340 (Trust IV) and \$68,853 (Trust V), regarding two bond sales in 2005. The bond issues are being amortized on the straight-line method over the life of the bonds (40 years). Amortization expense for the year was \$5,705. Accumulated amortization was \$35,330 at December 31, 2011. The straight line method is not materially different from the effective interest rate method.

F. Bonds Payable:

On December 7, 2000, the Corporation issued \$8,115,000 variable rate bonds. These bonds were part of the \$227,130,000 New York Counties Tobacco Trust I, Tobacco Settlement Pass-Through Bonds, Series 2000. The Corporation's bonds consisted of serial bonds maturing in the years 2002 through and including 2015, fixed term bonds maturing in the years 2016 through and including 2019 and flexible term bonds maturing in the years 2020 through and including 2042. The 2000 Bond Series was paid off in 2005.

See independent auditors' report.

GREENE TOBACCO ASSET SECURITIZATION CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

F. Bonds Payable (Continued):

On August 25, 2005, the Corporation issued \$11,672,040 variable rate bonds. These bonds were part of the \$414,798,208 New York Counties Tobacco Trust IV, Tobacco Settlement Pass-Through Bonds, Series 2005 N-151. The Corporation's bonds consist of \$10,805,000 of current interest turbo bonds maturing in the years 2006 through and including 2045 and capital appreciation bonds of \$867,040. There is no scheduled payment of principal or interest on the capital appreciation bonds in the required schedule. Interest accrues on the capital appreciation bonds and is not payable until the Corporation's bonds are collateralized by the Tobacco Settlement Revenues acquired from the County and by investment earnings on the Liquidity Reserve Account and on other accounts established under the bond agreement. The payment of interest and principal on these bonds started in 2006.

On November 25, 2005, the Corporation issued \$1,204,040 variable rate bonds. These bonds were part of the \$199,375,348 New York Counties Tobacco Trust V, Tobacco Settlement Pass-Through Bonds, Series 2005 N-184. The Corporation's bonds consist of turbo bonds maturing in the years 2026 through and including 2060. The Corporation's bonds are collateralized by the Tobacco Settlement Revenues acquired from the County and by investment earnings on the Liquidity Reserve Account and on other accounts established under the bond agreement. The projected start date for the payment of these bonds and interest is anticipated to start in the year 2026, when a portion of the August 2005 Series have been paid off.

August 2005 Series - Required Schedule

<u>Year ending</u>	<u>Principal</u>	<u>Interest</u>
Turbo bonds		
2012	\$ 100,000	\$ 490,688
2013	105,000	490,688
2014	110,000	490,688
2015	115,000	490,050
2016	120,000	486,863
2017-2021	855,000	2,336,882
2022-2026	1,110,000	2,113,050
2027-2031	1,415,000	1,806,375
2032-2036	1,820,000	1,403,750
2037-2041	2,335,000	887,125
2042-2045	2,335,000	240,125
	10,420,000	11,236,284
Prior years cumulative difference between the scheduled amount and the actual bond principal payment	(430,000)	-

See independent auditors' report.

GREENE TOBACCO ASSET SECURITIZATION CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

F. Bonds Payable (Continued):

August 2005 Series - Required Schedule (Continued):

Current year deficit principal paid between
scheduled amount and the actual bond
payment

	30,000		11,236,284
	10,020,000		

Capital appreciation bonds

	867,040		-
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Prior year cumulative interest accrued
on the capital appreciation bonds

	331,144		-
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Current year interest accrued on the
capital appreciation bonds

	74,691		11,236,284
	11,292,875		

November 2005 Series (including
accrued interest of \$146,883 at
December 31, 2011)

	1,983,341		-
	-		

Payable at December 31, 2011

	\$ 13,276,216		\$ 11,236,284
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August 2005 Series - Flexible Schedule (Optional)

<u>Year ending</u>	<u>Principal</u>	<u>Interest</u>
Turbo bonds		
2012	\$ 330,000	\$ 469,544
2013	355,000	439,994
2014	375,000	422,681
2015	405,000	404,137
2016	430,000	383,750
2017-2021	3,100,000	1,507,500
2022-2026	4,360,000	570,000
	9,355,000	4,197,606

Prior years cumulative difference between
the scheduled amount and the actual bond
principal payment

	420,000		-
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Current year deficit principal paid between
scheduled amount and the actual bond
payment

	245,000		4,197,606
	10,020,000		

See independent auditors' report.

GREENE TOBACCO ASSET SECURITIZATION CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

F. Bonds Payable (Continued):

August 2005 Series - Flexible Schedule (Optional) (Continued):

Capital appreciation bonds		
2026-2029	<u>1,272,875</u>	<u>-</u>
	-	-
	<u>11,292,875</u>	<u>4,197,606</u>
November 2005 Series	<u>1,983,341</u>	-
Payable at December 31, 2011	<u>\$ 13,276,216</u>	<u>\$ 4,197,606</u>

It is mandatory for the Corporation to make payments according to the required schedule to meet its obligations to the bond holders; however an optional flexible amortization payment schedule for the 2005 Series allows for the bonds to be paid off in the year 2026. This accelerated payment schedule would reduce total interest expense over the remaining life of the bonds by \$7,038,678 and will be used by the Corporation as funding allows. The corporation has been paying between the required and flexible schedule in the past, but in 2011 the actual collections were less than projected. This has resulted in the corporation making a principal payment of \$60,000 which is less than the required schedule amount of \$90,000, and the flexible schedule of \$305,000. New schedules were provided by Bondlogistix that have been adjusted to reflect interest expense based on prior principal payments. The capital appreciation bonds increased for interest \$74,691 from \$1,198,184 to \$1,272,875.

G. Concentration of Credit Risk:

The ability of the Corporation to make debt service payments on the TASC Bonds is contingent upon the receipt of TSRs. TSR payments may vary based on inflation adjustments, volume of cigarette sales adjustments, litigation adjustments from non-settling states, offsets for miscalculated or disputed payments, federal tobacco legislation offsets, litigation releasing party offsets, and offsets for claims over the amounts of the award.

H. Annual Operating Income and Expense Allocation:

A corporate annual operating expense allocation has been established and will be funded by collections received under the Master Settlement Agreement. Future allocations will be adjusted for inflation and capped at that adjusted amount. The allocation received each year is considered administrative income and is used by the Corporation to pay operating expenses.

See independent auditors' report.

GREENE TOBACCO ASSET SECURITIZATION CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Related Organizations:

County of Greene, New York

The Corporation was formed by the County as an instrumentality of the County. The majority of the Corporation's Board of Directors consist of County officials. The Corporation is treated as a blended component unit of the County, as defined by Government Accounting Standards Board (GASB) Technical Bulletin No. 2004-1 because the County appoints the voting majority of the Tobacco Settlement Authority's (TSA's) governing board and the TSA could provide specific financial benefits to the County.

New York Counties Tobacco Trust I

The Corporation is one of seventeen New York counties forming the New York Counties Tobacco Trust I (The Trust). The Trust was established to provide for the consolidation and sale of the seventeen Tobacco Asset Securitization Corporation's (TASC) Bonds. No TASC assets or revenues are available as security or as payment for any other TASC of the Trust.

J. Related Party Transactions:

The Chief Executive Officer and the Chief Financial Officer of the Corporation are also the County Attorney and the Director of Finance, respectively, for Greene County.

K. Contingencies:

The assets of the Corporation are not available to pay any creditor of Greene County. The bonds issued by the Corporation do not constitute a claim against the full faith, credit and taxing power of the General Fund of Greene County. The ability of the Corporation to meet debt service payments of bonds is contingent upon the receipt of Tobacco Settlement awards.

Currently a number of groups and organizations have initiated lawsuits against the Tobacco Settlement that have passed the test of the lower courts and if these suits are successful they could have a detrimental effect on the current settlement arrangement that initiated the Corporation. These lawsuits, if successful, could have a major impact on the investors (bond holders) ability to continue to collect interest and principal payments. Due to the structure of the settlement and the bond sales, the Corporation, has no liability if the settlement is rescinded in any way by the courts. A more detailed narrative can be found in the Administrative Agent Report issued by Bond Logistix, LLC (BLX) on November 30, 2011.

L. Subsequent Events:

Subsequent events have been evaluated through March 15, 2012, which is the date of the financial statements were available to be issued.

See independent auditors' report.

PATTISON, KOSKEY, HOWE & BUCCI, CPAs, P.C.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited the accompanying statement of net assets (deficit) and governmental fund balance sheet of Greene Tobacco Asset Securitization Corporation (the Corporation), a blended component unit of Greene County, New York as of and for the year ended December 31, 2011 and its related statement of activities and governmental fund balance and the changes in financial position thereof for the year then ended and have issued our report thereon dated March 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Greene Tobacco Asset Securitization Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been indentified. However, as describe below, we identified a certain deficiency in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiency described below to be a material weakness.

The Corporation's management has not fully established procedures for converting the governmental fund financial statements to the full accrual basis in order to prepare the Corporation's year end financial statements in accordance with GASB Statement No. 34. Management did not properly accrue the interest and bonds payable for the month of December on the Trust IV Bonds and failed to accrue the annual interest and bonds payable on the Trust V Bonds. In addition, management did not properly project tobacco revenues and the corresponding receivable based on prior year experience.

Management's response: The Corporation's bookkeeper will make the necessary accrual entries at year end to accurately reflect the Corporation's financial position.

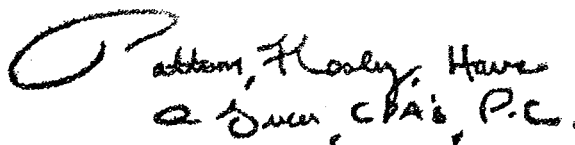
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of 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*.

We noted certain matters that we reported to management of Greene Tobacco Asset Securitization Corporation, in a separate letter dated March 15, 2012.

Greene Tobacco Asset Securitization Corporation's response to the findings identified in our audit is described above. We did not audit Greene Tobacco Asset Securitization Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of Greene Tobacco Asset Securitization Corporation, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.


O'Connell, Hooley, Haver
& Owen, CPAs, P.C.

Catskill, New York
March 15, 2012