ONONDAGA TOBACCO ASSET SECURITIZATION CORPORATION
(A BLENDED COMPONENT UNIT OF THE COUNTY OF ONONDAGA, NEW YORK)

Financial Statements as of
December 31, 2016
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

ONONDAGA TOBACCO ASSET SECURITIZATION CORPORATION
(A BLENDED COMPONENT UNIT OF THE COUNTY OF ONONDAGA, NEW YORK)

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Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

March 24, 2017

To the Board of Directors
Onondaga Tobacco Asset Securitization Corporation:

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities and the major governmental fund of Onondaga Tobacco Asset Securitization Corporation (the Corporation), a blended component unit of the County of Onondaga, New York (the County), as of and for the year ended December 31, 2016, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 the major governmental fund of Onondaga Tobacco Asset Securitization Corporation, as of December 31, 2016, and the respective changes in financial position for the year 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 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 24, 2017 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 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.

Other Reporting Required by New York State Public Authorities Law

In accordance with New York State Public Authorities Law, we have also issued our report dated March 24, 2017, on our consideration of the Corporation's compliance with Section 2925(3) (f) of the New York State (NYS) Public Authorities Law. The purpose of that report is to describe anything that came to our attention that caused us to believe the Corporation failed to comply with the Corporation's Investment Guidelines, the NYS Comptroller's Investment Guidelines and Section 2925 of the NYS Public Authorities Law (collectively, the Investment Guidelines).

Bonadio & Co., LLP

ONONDAGA TOBACCO ASSET SECURITIZATION CORPORATION
(A BLENDED COMPONENT UNIT OF THE COUNTY OF ONONDAGA, NEW YORK)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2016

Our discussion and analysis of Onondaga Tobacco Asset Securitization Corporation's (the Corporation) financial performance provides an overview of the Corporation's financial activities during 2016. It should be read in conjunction with the financial statements and their associated notes that follow this section to properly evaluate the Corporation's financial position. The financial statements present only the information for the year ended December 31, 2016.

FINANCIAL HIGHLIGHTS

As discussed further in the notes to the financial statements, the Corporation was formed to acquire from the County of Onondaga, New York (the County), all future right, title and interest in the Tobacco Settlement Revenues (TSRs) under the Master Settlement Agreement (MSA) with respect to tobacco related litigation among various states and participating manufacturers. The Corporation is a component unit of Onondaga County and, accordingly, is included in the County's financial statements as a blended component unit. The Corporation is classified as a special-purpose government under the Government Accounting Standards Board and consists of one governmental fund. The fund and government-wide financial statements are presented together and include a reconciliation of the individual line items between the two statement types in a separate column. It is important to note that in September of 2016, along with six other New York Tobacco Corporations, the Corporation participated in the New York Tobacco Trust VI (NYCTT VI). The seven Corporations issued Tobacco Settlement Pass-Through Bonds, Series 2016. Onondaga Tobacco Asset Corporation used the proceeds of these bonds to exchange and refund NYCTT II Senior Bonds and refund and repurchase NYCTT V Series S1, S2 and S4A Subordinate CAB bonds. A residual of $3.5M was transferred to Onondaga County for use on capital projects. This is important as many of the variances noted between 2015 and 2016 are due to this refunding.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. The statement of net position and statement of activities provide information about the Corporation's activity and present a long-term view of the Corporation's finances. The fund financial statements tell how the governmental activity's services were financed in the short term as well as what remains for future spending.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide Financial Statements

The Corporation presents its government-wide financial statements as the statement of net position and the statement of activities. These include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Government-wide Financial Statements (Continued)

These two statements report the Corporation's net position and changes in them. You can think of the Corporation's net position, the difference between assets and liabilities, as one way to measure the Corporation's financial health or financial position. Over time, increases or decreases in the Corporation's net position is one indicator of whether its financial health is improving or deteriorating.

Below is a condensed version of the government-wide financial statements for the years ended December 31:

	2016	2015
Assets	$ 6,633,174	$ 14,929,159
Liabilities	116,875,085	138,785,854
Deferred gain on refunding	12,542,658	-
Net position	$ (122,784,569)	$ (123,856,695)
Revenues	$ 13,283,673	$ 12,397,611
Expenses	8,711,547	8,344,796
Residual transfer to county	3,500,000	-
Change in net position	$ 1,072,126	$ 4,052,815

The Corporation's assets decreased by approximately $8,300,000. This was due to the receipt of the NPM settlement in April of 2016 that was recorded as a receivable in 2015. Also, the unamortized bond discount of $762,583 is included as a reduction of the deferred gain on the refunding and not as an asset for 2016. The required investment amount in the NYCTT VI Liquidity account is about $2,000,000 less than the NYCTT II Liquidity requirement as per the bonding documents.

The Corporation's liabilities decreased by approximately $21,900,000.This is due to the lower bonds payable for the NYCTT VI Series 2016 used to refund NYCTT II Series 2001 and NYCTT V 2005 Series S1, S2 and S4A which closed in September of 2016. The deferred inflow noted in 2016 is due to the gain on the refunding referenced above.

Revenues increased approximately $900,000. While there was no receivable in 2016 as there was in 2015 for NPM settlement, the Corporation received a settlement on a Forward Delivery Agreement (FDA) that was in place for funds held in reserve for NYCTT II Series 2001 debt. This totaled $5,069,500. The FDA insured an interest rate of 5.706% on funds deposited for payment of the NYCTT II Senior bonds debt service. This agreement was terminated with the refunding of the Senior bonds. The payment to OTASC was for the present value of projected interest that would have been earned had the agreement remained in place until maturity of December 2042.

Net position increased by approximately $1,100,000.The increase in expenses for cost of issuance of approximately $1,500,000 was offset by a lower interest expense of $1,127,000. Lower interest expense was a result of lower accretion on the NYCTT V Series 2005 bonds which were refunded with NYCTT VI Series 2016 bonds as well as amortization of bond premium and deferred inflow further reducing interest.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Government-wide Financial Statements (Continued)

There was a decrease between years in program revenues. Under the Master Settlement Agreement, the tobacco companies are required to make annual payments to the Corporation. During 2016, approximately $6.9 million in tobacco revenues were received, as well as $6.4 million in the Non-Participating Tobacco Manufacturers settlement funds per an agreement reached with New York State in October of 2015. A receivable was set up in the Government Wide Financial Statements for $5.3 million in 2015 to accrue for this NPM settlement. No such receivable exists for 2016. Interest income also decreased by approximately $220,000 due to the loss experienced on the sale of the Toyota Commercial Paper held as an investment in NYCTT II Liquidity account.

During the year ended December 31, 2016, as noted in the Financial Highlights, new bonds were issued and distributions of $3.5 million were made to the County.

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No residual payments have been made to the County since 2003 due to the trapping events that have occurred. Under a trapping event, those monies that would have been paid out to the County are now required to fund a trapping account as required by the Corporation's Indenture. In addition, as a result of the issuance of the 2005 Series Bonds, the County relinquished the right to use these monies for anything other than Corporation debt retirement. It should be noted that under NYCTT VI Series 2016, no such provision for trapping events has been included in the bond indenture, therefore, no funds need to be set aside for such events.

All NYCTT II Series 2001 bonds as well as NYCTT V Series 2005 S1, S2 and S4A bonds have been repurchased, refunded or exchanged with the issuance of NYCTT VI Series 2016 bonds. The bonds payable, premiums and deferred inflow for the gain on refunding form the Series 2016 bonds are now responsible for the deficit in Corporation assets. This deficit is expected to be satisfied over time with the tobacco settlement proceeds.

Fund Financial Statements

A governmental entity can have various types of funds such as governmental and proprietary. The Corporation only has one fund, the debt service fund, which is a governmental fund.

Governmental funds focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Corporation's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Corporation's programs.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements (Continued)

Below is a condensed version of the fund financial statement for the years ended December 31:

	2016	2015
Assets	$ 6,633,174	$ 8,820,576
Fund balance	6,633,174	8,820,576
Revenues	13,560,173	7,051,611
Expenditures	15,284,826	6,983,512
Other financing sources (uses):		
Termination payments	5,069,500	-
Transfer to County	(3,500,000)	-
Refunding bond proceeds	95,590,000	-
Premiums on bonds	10,417,006	-
Payments to escrow agents	(108,039,255)	-
Excess of revenues over expenditures	(2,187,402)	68,099

The decrease in assets from 2015 to 2016 is due to a lower balance required in the Liquidity account for the Series 2016 bonds. The variance between years in revenues is due to The NPM settlement of $6.4 million received in 2016 as well as $5,069,500 received from JP Morgan as termination payment for the Forward Delivery Agreement as discussed in the Government Wide Statements. Approximately $6.9 million in tobacco revenues were received in 2016 and $6.6 million were received in 2015. Under the Master Settlement Agreement, the tobacco companies are required to make annual payments to the Corporation. Expenditures in 2016 were approximately $8.3 million higher than the previous year due to a Super Sinker principal payment that was $7.2 million higher than 2015 as well as cost of issuance and underwriter's fees of $1.5 million for NYCTT VI financing. The interest payments were $427,000 less the prior year due to the lower interest on the Series 2016 bonds.

The payments from the tobacco companies continued to fall below anticipated levels, and in 2016, for the sixth consecutive year, the Corporation was not able to make the full super-sinker payment on the 2001 bonds. Projected principal payment was approximately $8.8 million, but actual was approximately $8.0 million. The Series 2005 Series S1, S2 and S4A were refunded or repurchased through the NYCTTVI 2016 bonds.

The debt service fund has two distinct fund balances: restricted for debt service and assigned. Assigned fund balance is generated from general operations and is the residual amount of fund balance. Fund balance restricted for debt service results from monies set aside for future payment of the bond principal and interest.

Unlike the government-wide financial statements, in the fund financial statements, the bond payable is not recognized as a liability as it is long-term in nature. Because of this, there is not the issue of the large fund balance deficit under this methodology that is present in the government-wide presentation.

Long-Term Debt Activity

The Corporation-issued debt will be repaid by its purchases from the County of the future right, title and interest in the Tobacco Settlement Revenues. The refunding/repurchase of Series 2001 and Series 2005 bonds with Series 2016 bonds has resulted in a $22 million decrease in bonds payable in 2016 under the 2015 bonds payable balance.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Under the government-wide methodology, the Corporation showed an increase to its net position. This increase resulted from the settlement upon termination of the FDA which resulted in a payment of $5,069,500 to the Corporation. As discussed earlier, this payment represents the present value of interest payments that would have been realized if the agreement had not terminated at the refunding of the Senior bonds. The tobacco settlement revenues will be used for principal payments on this new bond series. There are no required payments until the maturity dates on each 2016 bond.

Budget

GASB requires an analysis of significant variances between the original budget and final budget amounts and between final budget amounts and actual budget results. Interest income is lower by 50% because of the loss on the sale of the Toyota commercial paper which is a NYCTT II Liquidity account asset. Revenues increased due to the NPM settlement not originally included in the budget which totaled approximately $6.4 million. Also, the payment on the Forward Delivery Agreement was not included in the original budget and this totaled $5,069,500. The budget also did not include any expenses for the NYCTT VI Series 2016 bonding issue. The actual 2016 expense were higher by about $367,000. The budget did not include any expense related to cost of issuance of the NYCTT VI Series 2016 bonding. Cost of issuance was approximately $1.5 million. There were also increased legal fees of about $4,000, increased rating agency fees of $48,000 and trustee fees increase of $4,556. Interest expense, however, decreased by approximately $427,000 due to the refunding of the Series 2001 Senior bonds.

REQUESTS FOR INFORMATION

This financial report is designed to provide to the readers of these financial statements an overview of the Corporation's finances and to show the Corporation's accountability for the money it received. If you have questions about this report or need additional financial information, contact the Corporation's President, Steven Morgan, at 421 Montgomery Street, Syracuse, NY 13202.

ONONDAGA TOBACCO ASSET SECURITIZATION CORPORATION
(A BLENDED COMPONENT UNIT OF THE COUNTY OF ONONDAGA, NEW YORK)

GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Debt Service Fund	Adjustments	Statement of Net Position
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	$ 130,613	$ -	$ 130,613
Total current assets	130,613	-	130,613
RESTRICTED ASSETS:			
Restricted cash and cash equivalents	265,694	-	265,694
Restricted investments	6,236,867	-	6,236,867
Total restricted assets	6,502,561	-	6,502,561
Total assets	$ 6,633,174	-	6,633,174
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE/NET POSITION			
CURRENT LIABILITIES:			
Accrued interest payable	$ -	505,617	505,617
Bond premium - due within one year	-	462,447	462,447
Bonds payable - due within one year	-	420,000	420,000
Total current liabilities	-	1,388,064	1,388,064
LONG-TERM LIABILITIES:			
Bond premium - due after one year		9,838,855	9,838,855
Bonds payable - due after one year	-	105,648,166	105,648,166
Total long-term liabilities	-	115,487,021	115,487,021
Total liabilities	-	116,875,085	116,875,085
DEFERRED INFLOWS OF RESOURCES:			
Deferred gain on refunding	-	12,542,658	12,542,658
FUND BALANCE:			
Restricted for debt service	6,502,561	(6,502,561)	-
Assigned	130,613	(130,613)	-
Total fund balance	6,633,174	(6,633,174)	-
Total liabilities and fund balance	$ 6,633,174		
NET POSITION:			
Restricted for debt service		6,502,561	6,502,561
Unrestricted net deficit		(129,287,130)	(129,287,130)
		$ (122,784,569)	$ (122,784,569)

The accompanying notes are an integral part of these statements.

ONONDAGA TOBACCO ASSET SECURITIZATION CORPORATION
(A BLENDED COMPONENT UNIT OF THE COUNTY OF ONONDAGA, NEW YORK)

STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE/STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Debt Service Fund	Adjustments	Statement of Activities
OPERATING REVENUES:			
Program revenue -			
Tobacco settlement proceeds	$ 13,331,119	$ (5,346,000)	$ 7,985,119
Interest income	229,054	-	229,054
Total operating revenues	13,560,173	(5,346,000)	8,214,173
OPERATING EXPENDITURES/ EXPENSES:			
General government -			
Insurance	4,236	-	4,236
Audit fee	6,500	-	6,500
Legal fees	8,102	-	8,102
Trustee fee	7,557	-	7,557
Administrative agency fee	29,938	-	29,938
Rating agency fee	59,645	-	59,645
General and administrative costs	61,833	-	61,833
Cost of issuance	712,920	-	712,920
Underwriter's fees	755,883	-	755,883
Principal	9,245,000	(9,245,000)	-
Interest	4,393,212	2,671,721	7,064,933
Total operating expenses	15,284,826	(6,573,279)	8,711,547
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	(1,724,653)	1,227,279	(497,374)
OTHER FINANCING SOURCES (USES)/GENERAL REVENUES AND TRANSFERS:			
Termination payment	5,069,500	-	5,069,500
Transfer to County	(3,500,000)	-	(3,500,000)
Refunding bond proceeds	95,590,000	(95,590,000)	-
Premiums on bonds	10,417,006	(10,417,006)	-
Payments to escrow agent	(108,039,255)	108,039,255	-
Total other financing sources (uses) - net	(462,749)	2,032,249	1,569,500
CHANGE IN FUND BALANCE/CHANGE IN NET POSITION	(2,187,402)	3,259,528	1,072,126
FUND BALANCE / NET POSITION - beginning of year	8,820,576		(123,856,695)
FUND BALANCE / NET POSITION - end of year	$ 6,633,174		$ (122,784,569)

The accompanying notes are an integral part of these statements.

1. ORGANIZATION

Onondaga Tobacco Asset Securitization Corporation, New York (the Corporation) is a Not-For-Profit Local Development Corporation under Section 1411 of the Not-For-Profit Corporation Law of the State of New York. The Corporation was established on July 3, 2001 and became active August 8, 2001.

The Corporation is primarily dependent on the future proceeds from the Tobacco Settlement Revenues (TSRs) to meet future obligations under the Indenture agreement. The collections of the Corporation will be comprised of TSRs remaining after payment on prior bonds and earnings on funds held by the Trust.

The Corporation was formed to acquire from the County of Onondaga, New York (the County) all future rights, title and interest in the TSRs under the Master Settlement Agreement (MSA) with respect to tobacco related litigation among various states and participating manufacturers. The County's future right, title and interest in the TSRs has been pledged to repay the serial bonds issued by the Corporation. The County is the beneficial owner of the Trust and thus the funds received by the Trust will ultimately transfer to the County.

The Corporation is classified as a special purpose government under the Government Accounting Standards Board (GASB). A special purpose government is defined as a legally separate entity that performs only one activity. Although legally separate from the County, the Corporation is a component unit of the County, and accordingly, is included in the County's financial statements as a blended component unit. In 2016, the Corporation paid $59,000 to the County for general and administrative expenses. In 2016, the Corporation transferred $3,500,000 to the County as a result of the debt refunding. See Note 5.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America. Those principles are prescribed by the GASB, which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Corporation is classified as a single-program special-purpose government. Consistent with governmental accounting and financial reporting principles, the fund and government-wide financial statements are presented together and include a reconciliation of the individual line items between the two statement types in a separate column.

Fund Financial Statements

The fund financial statements provide information about the Corporation's fund. The emphasis of fund financial statements is on major governmental funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Statements
The statement of net position and statement of activities present financial information about the Corporation's governmental activities. These statements include the financial activities of the Corporation.

The Corporation reports the debt service fund as its major governmental fund. This fund is used to account for and report on the accumulation of resources to be used for redemption of general long-term indebtedness and supports the operations of the Corporation.

Measurement Focus and Basis of Accounting
The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measureable and available. The Corporation considers all revenues reported in the governmental fund to be available if the revenues are collected within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recognized as expenditures to the extent they have matured. Proceeds of general long-term debt are reported as other financing resources.

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 at the time liabilities are incurred, regardless of when the related cash transaction takes place.

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 assets and liabilities and 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.

Equity Classifications
Government-wide Statements
Net position is classified as three components:

- Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The Corporation does not have net investment in capital assets at December 31, 2016.

- Restricted net position - net position with constraints placed on the use either by (1) external groups such as creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

- Unrestricted net deficit - net position that does not meet the definition of "restricted" are deemed to be available for general use by the Corporation. The Corporation has a deficit in net position as a result of the outstanding bonds, including the accretion on capital appreciation bonds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)
Fund Financial Statements
Fund balance is classified as five components:

- Nonspendable - includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

- Restricted - includes amounts with constraints placed on the use either by (1) external groups such as creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

- Committed - includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the Corporation's highest level of decision making authority, i.e., Board of Directors.

- Assigned - includes amounts that are subject to 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 positive fund balance.

- Unassigned - includes all other fund balances that do not meet the definition of the above four classifications and are deemed to be available for general use by the Corporation.

The debt service fund has restricted and assigned fund balance. Restricted fund balance represents monies set aside for future payment of bond principal and interest and equals the restricted assets of $6,502,561. Assigned fund balance represents amounts generated from general operations and is the residual amount of fund balance as it is the County's intent for it to be utilized for the Corporation.

Order of Use of Fund Balance/Net Position
The Corporation's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts are classified as assigned fund balance.

The Corporation's policy is to apply expenses against restricted net position and then unrestricted net position as needed.

Cash and Cash Equivalents
The Corporation considers all short-term instruments purchased with original maturities of three months or less to be cash equivalents.

The Corporation maintains its cash and cash equivalents accounts with various banks. As of December 31, 2016, the bank balance and carrying amount of the Corporation's cash and cash equivalents was $130,613 and the Corporation did not have deposit amounts in excess of the insurance limit established by the Federal Deposit Insurance Corporation (FDIC).

3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUND STATEMENT AND GOVERNMENT-WIDE STATEMENT

Due to the differences in the measurement focus and basis of accounting used in the fund financial statement and the government-wide statement, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus on the statement of activities, compared with the current financial resources focus on the statement of governmental fund revenues, expenditures and change in fund balance.

Governmental Fund Balance Sheet vs. Statement of Net Position
Total fund balance of the Corporation's fund statement differs from net position of government-wide statement reported in the statement of net position. This difference primarily results from the additional long-term economic focus on the statement of net position versus the solely current financial resources focus on the fund balance sheet.

Explanation of differences between the governmental fund balance sheet and the statement of net position:

Fund balance	$ 6,633,174
Bonds payable, including premiums, are reported in the statement of net position, but not in the governmental fund balance sheet because they are not due and payable in the current period.	(116,369,468)
Accrued interest payable is reported in the statement of net position, but not in the governmental fund balance sheet because it is not due and payable in the current period.	(505,617)
Deferred inflow of resources related to the defeasance of debt are reported in the statement of net position, but not in the governmental fund balance sheet because they will not be recognized in the current period.	(12,542,658)
Total net position	$ (122,784,569)

3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUND STATEMENT AND GOVERNMENT-WIDE STATEMENT (Continued)

Statement of Governmental Fund Revenues, Expenditures and Change in Fund Balance vs. Statement of Activities

Differences between the statement of governmental fund revenues, expenditures and change in fund balance and the Statement of Activities fall into one of three broad categories. The amounts shown below represent:

Change in fund balance	$ (2,187,402)
Revenues that were not both measurable and available in the prior year were only recorded in the statement of activities. These same revenues were recorded as revenues in the statement of governmental fund revenues, expenditures and changes in fund balance in the current year, and as a result, will need to be subtracted from the statement of activities revenues.	(5,346,000)
Payment of bond principal is an expenditure in the governmental fund financial statements, but it reduces long-term liabilities in the statement of net position, and does not affect the statement of activities.	9,245,000
In the statement of activities, interest is accrued on outstanding bonds and premiums and deferred inflow of resources related to debt refunding are amortized, whereas, in governmental fund financial statements, interest expenditures are reported when paid.	(2,671,721)
Bond proceeds provide current financial resources to governmental funds, but bonds increase long-term liabilities in the statement of net position.	(95,590,000)
Governmental funds report bond premiums as other financing sources. However, in the statement of activities, premiums are amortized over the life of the debt.	(10,417,006)
Payments to escrow agents is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position.	108,039,255
Change in net position - Statement of Activities	$ 1,072,126

4. INVESTMENTS AND DEPOSITS

Investment and Deposit Policy

The Corporation follows an investment and deposit policy as outlined in the 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 trustee as appointed by the Board of Directors.

Investment Valuation

The Corporation categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Corporation did not have any investments that are measured using Level 3 inputs.

Fair value measurements of the Corporation's investments at December 31, 2016 comprised U.S. Treasury Bills valued at $6,236,867, based on quoted market prices (Level 1 inputs).

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 limiting investment maturities as a means of managing its exposure to fair value losses arising from 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;
- 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;
- 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 County; and
- Reserves under the Indenture shall be invested in obligations on the United States, obligations guaranteed by the United States or as recommended by the Chief Fiscal Officer of the County, consistent with the Onondaga County Investment Policy.

4. INVESTMENTS AND DEPOSITS (Continued)

Custodial Credit Risk
Custodial credit risk is the risk that an entity will not be able to recover the value of deposits, investments or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails. The Corporation's trustee holds deposits and investments for the funds included in the financial statements. All investments are insured, registered or held by the Corporation's trustee in the Corporation's name. Investments are stated at fair value, which approximates cost, and consists of U.S. Treasury Bills that has an original maturity of 6 months. As of December 31, 2016, the Corporation's deposits and investments, with maturities of less than one year, were in compliance with the investment and deposit policy and totaled $6,236,867.

Concentration of Credit Risk
The Corporation places no limit on the amount that it may invest in any one issuer. The entire amount of the Corporation's investments is in U.S. Treasury Bills and represents 100% of the investments of the Corporation.

A trustee holds the Corporation's investments and restricted cash and cash equivalents in the following accounts:

Debt Service Account
This is the account from which payments to bondholders are made with money transferred in from the collection account.

Liquidity Reserve Account
This reserve has been established pursuant to the Corporation's Indenture for the 2016 A Bonds and initially funded in an amount equal to $6,236,350.

Collection Account
This account has been established to receive the TSRs under the MSA agreement. The monies received in this account will be transferred to the debt service account to pay the Corporation's bondholders.

Operating Expense Reserve Account
This reserve has been established pursuant to the Corporation's Indenture for the 2016 A Bonds and initially funded in an amount equal to $127,000. The Corporation may withdraw funds from the Operating Expense Reserve Account to pay for any operating expense not otherwise paid from the operation expense account.

Cost of Issuance Account
This account has been established to receive bond proceeds to be used to pay for the cost of issuance of the 2016 A Bonds.

Trapping Account
In 2016, the Trapping account for NYCTT II Series 2001 was closed and no account for NYCCT VI was necessary per the bonding indenture.

4. INVESTMENTS AND DEPOSITS (Continued)

Trapping Account (Continued)
Amounts held in each of these restricted accounts at December 31, 2016 is as follows:

Debt service account	$ 111,687
Liquidity reserve account	6,238,338
Collection account	207
Operating reserve account	127,022
Cost of issuance account	25,307
	$ 6,502,561

5. LONG-TERM LIABILITIES

2001 Series Bonds
On August 8, 2001, the Corporation, along with six other counties, created a trust known as New York Counties Tobacco Trust (NYCTT) II. The trust issued $215,220,000 in aggregate principal Tobacco Settlement Pass-Through Bonds Series 2001. The Corporation issued $111,470,000 in variable rate bonds bearing interest rates ranging from 5% to 6%. This debt was fully exchanged/refunded by NYCTT VI Series 2016 on September 22, 2016.

2005 Series Bonds
On November 29, 2005, the Corporation, along with twenty-three other counties, created a New York Counties Tobacco Trust V (NYCTT V) to issue $199,375,348 in aggregate principal Tobacco Settlement Pass-Through Bond-Series 2005. Series 2005 NYCTT Bonds represent a direct, pass-through interest in corresponding Tobacco Asset Securitization Corporation (TASC) bonds held by the trust and are subordinate to the 2001 Series bonds. The debt is payable from pledged Tobacco Settlement Rights and investment earnings on amounts on deposit. The Series 2005 Bonds are also payable from certain amounts released from Liquidity Reserve Accounts upon retirement of the prior bonds and amounts released from the Trapping Account. These capital appreciation bonds were issued with a final maturity value of $700,630,000 and included bond issuance costs of $836,558 and a distribution to the County of $30,565,586. The bonds bear interest at rates ranging from 6.00% to 7.15%. During 2016, interest of $2,850,133 accreted on these bonds. During 2016, the S-1, S-2 and S-4 series were defeased by the 2016 Series Bonds on September 22, 2016.

In 2009, the R.J. Reynolds bonds, which served as backing on the 2005 series bonds, rose to above investment grade.

2016 Series Bonds
On September 22, 2016 the Corporation along with six other counties closed on the NYCTT VI Series to issue $293,255,000 in aggregate principal Tobacco Settlement Pass Through Bonds Series 2016. The Corporation issued $95,590,000 in variable rate bonds ranging from 5% to 6.75%.The debt is payable from pledged Tobacco Settlement Rights and investment earnings. The proceeds from these bonds were used as follows:

- The proceeds of $55,005,000 in Series VI 2016 A-1 Bonds were used to currently refund $55,005,000 of Series II 2001 Bonds. Pursuant to the Purchase and Exchange Agreement between the Corporation and the 2001 Bond Holders, at closing, the Bond Holders tendered $55,005,000 in 2001 Bonds in exchange for $55,005,000 in Series VI 2016 A-1 Bonds.

5. LONG-TERM LIABILITIES (CONTINUED)

2016 Series Bonds (Continued)

- The proceeds of $40,585,000 in Series VI 2016 A-2 Bonds, in addition to certain other funds as described below, were used to currently refund $19,685,000 in Series II 2001 Bonds and currently refund $11,674,474 in principal and accreted interest of the Series V 2005 Bonds. The Corporation placed $20,127,538 in an irrevocable escrow account to redeem, on October 24, 2016, $19,685,000 in Series II 2001 Bonds plus accrued interest. Additionally, $33,371,407 was used to completely defease the S1, S2, and S4A of the Series V 2005 Bonds. At closing $11,788,635 was used to redeem at 101% the accreted value of $11,674,474 ($6,127,360 in principal and $5,547,114 in accreted interest) of the Series V 2005 S-1 Bonds. The Corporation used $21,582,772 of proceeds and other funds noted below to purchase, at negotiated prices pursuant to a Purchase and Exchange Agreement between the bond holders and the Corporation, all of the Series V 2005 S-2 and S-4A Bonds. The Corporation was able to defease at closing $35,142,650 of accreted value ($17,434,106 in principal and $17,708,544 in accreted interest) of the S-2 and S-4A bonds.

In addition to the bond proceeds, the Corporation received an exchange premium on the Series VI 2016 A-1 Bonds of $5,975,614, a premium of $4,441,392 on the Series VI 2016 A-2 Bonds, a termination payment of $5,069,500 from a 2001 forward delivery agreement on the 2001 liquidity reserve account and was able release $10,519,960 from the 2001 Bond reserve accounts. $4,171,201 of these amounts was used in the Series VI 2016 A-2 defeasance transaction. The remainder was used to establish a liquidity reserve account for the Series VI 2016 A-1 Bonds, establish an operating expense reserve account, pay for the cost of issuance, and distribute $3,500,000 to the County.

The refunding transaction resulted in a gain in the year incurred equivalent to the difference between the carrying amount of the bonds refunded ($65,739,541) and the amount deposited into the irrevocable escrow account ($53,056,407). This accounting gain on refunding of $12,683,134, has been recorded as a deferred inflow of resources and will be amortized on a straight-line basis over the life of the Series VI 2016 A-2 Bonds. Amortization for the year ended December 31, 2016 was $140,476 and is included as a component of interest expense.

The premiums received on the issuance of the Series VI 2016 Bonds are included as a component of long-term debt and are amortized on a straight-line basis over the life of the respective debt. Amortization expense for the year ended December 31, 2016 was $115,704 and is included as a component of interest expense.

NYCTT II Series 2001 - bonds exchanged	$ 55,005,000
NYCTT II Series 2001 - bonds refunded	$ 19,685,000
NYCTT V Series 2005 (S1, S2, S4A) bonds refunded	$ 11,674,474
NYCTT V Series 2005 (S1, S2, S4A) bonds repurchased	$ 35,142,650

5. LONG-TERM LIABILITIES (Continued)

The following is a summary of the Corporation's bonds payable for the year ended December 31, 2016:

	Issue Date	Final Maturity	Interest Rate	Balance December 31
Tobacco Settlement Pass - through Series 2005 (S3)	11/05	6/54	6.0 - 7.15%	$ 4,963,972
Add: Interest accretion - Series 2005 (S3)				5,514,274
Carrying Value of Series 2005 (S3)				$ 10,478,246
Tobacco Settlement Pass - through Series 2016	9/16	6/51	5.0 - 6.75%	$ 95,590,000
Add: Premium - Series 2016				10,301,302
Carrying Value of Series 2016				$ 105,891,302

Long-term liability balances and activity for the year are summarized below:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds payable - Series 2001	$ 83,935,000	$ -	$ 83,935,000	$ -	$ -
Bonds payable - Series 2005	28,525,438	-	23,561,466	4,963,972	-
Bonds payable - Series 2016	-	95,590,000	-	95,590,000	420,000
	112,460,438	95,590,000	107,496,466	100,553,972	420,000
Add: Bond premium - Series 2016	-	10,417,006	115,704	10,301,302	462,477
Add: Accreted interest - Series 2005	25,919,799	2,850,133	23,255,658	5,514,274	-
Total bonds payable and accreted interest	$138,380,237	$108,857,139	$130,867,828	$116,369,548	$ 882,477

Series 2005

The Series 2005 S1, S2 and S4A bonds were refunded or repurchased by the NYCTT VI Series 2016 bonds. The Series 2005 S3 bonds are capital appreciation bonds, upon which the investment return on the investment principal is reinvested at a compounded rate until maturity. There are no scheduled principal and interest payments on these bonds other than their respective maturity dates, at which time a single payment is made representing principal and investment return. Such payments are as follows:

	Principal	Interest	Total
Series 2005 S3 payable in full June 1, 2055	$ 4,963,972	$ 134,356,028	$ 139,320,000

5. LONG-TERM LIABILITIES (Continued)

The following is a summary of the amount of accretion on the series 2005 capital appreciation bonds assuming the projected debt service amortization:

2017	$ 730,046
2018	780,910
2019	835,319
2020	893,518
2021	955,772
2022 - 2026	5,875,513
2027 - 2031	8,228,129
2032 - 2036	11,522,757
2037 - 2041	16,136,588
2042 - 2046	22,597,843
2047 - 2051	31,646,253
2052 - 2055	28,639,186
Future Total Accretion	128,841,834
Cumulative Accreted Interest December 31, 2016	5,514,194
Principal	4,963,972
Estimated Total Debt Service	$ 139,320,000

Series 2016

The NYCTT VI Series 2016 bonds do not have required yearly principal payment but rather are due in full at the maturity dates. However, payments will be made on the principal for these bonds as the yearly TSR payments are made to the Corporation. The Corporation presents the 2017 principal payment under the slow payment amortization schedule as the current portion of bonds payable on the Series 2016 bonds based on anticipated payments resulting from TSR collections. The Administrative Agent, BLX Group, has calculated amortization schedules for both a higher and lower TSR payment from the Tobacco companies.

5. LONG-TERM LIABILITIES (Continued)

Series 2016 (Continued)

The fast payment amortization schedule is as follows:

	A-1 (Due 2035)		A-1 (Due 2043)		A-2A & A-2B (Due 2045)		A-2A & A-2B (Due 2051)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	$ 970,000	$ 1,457,437	$ -	$ 1,645,075	$ -	$ 751,048	$ -	$ 1,667,142	$ 970,000	$ 5,520,702
2018	2,185,000	1,368,703	-	1,645,075	-	630,250	-	1,399,000	2,185,000	5,043,028
2019	2,315,000	1,242,141	-	1,645,075	-	630,250	-	1,399,000	2,315,000	4,916,466
2020	3,445,000	1,080,141	-	1,645,075	-	630,250	-	1,399,000	3,445,000	4,754,466
2021	3,655,000	880,453	-	1,645,075	-	630,250	-	1,399,000	3,655,000	4,554,778
2022 - 2026	13,825,000	1,373,484	7,835,000		-	3,151,250	-	6,995,000	21,660,000	19,349,078
2027 - 2031	-	-	20,775,000	2,311,931	8,725,000	2,828,625	-	6,995,000	29,500,000	12,135,556
2032 - 2035	-	-	-	-	3,880,000	97,000	27,980,000	3,296,750	31,860,000	3,393,750
Total	$26,395,000	$ 7,402,359	$28,610,000	$18,366,650	$12,605,000	$ 9,348,923	$27,980,000	$24,549,892	$95,590,000	$59,667,824

The slow payment amortization schedule is as follows:

	A-1 (Due 2035)		A-1 (Due 2043)		A-2A & A-2B (Due 2045)		A-2A & A-2B (Due 2051)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	$ 420,000	$ 1,472,906	$ -	$ 1,645,075	$ -	$ 751,048	$ -	$ 1,667,142	$ 420,000	$ 5,536,171
2018	985,000	1,433,391	-	1,645,075	-	630,250	-	1,399,000	985,000	5,107,716
2019	960,000	1,378,688	-	1,645,075	-	630,250	-	1,399,000	960,000	5,053,013
2020	1,245,000	1,316,672	-	1,645,075	-	630,250	-	1,399,000	1,245,000	4,990,997
2021	1,320,000	1,244,531	-	1,645,075	-	630,250	-	1,399,000	1,320,000	4,918,856
2022 - 2026	7,860,000	4,981,781	-	8,225,375	-	3,151,250	-	6,995,000	7,860,000	23,353,406
2027 - 2031	10,380,000	2,428,594	-	8,225,375	-	3,151,250	-	6,995,000	10,380,000	20,800,219
2032 - 2036	3,225,000	138,234	9,740,000	7,209,638	-	3,151,250	-	6,995,000	12,965,000	17,494,122
2037 - 2041	-	-	16,080,000	3,195,275	-	3,151,250	-	6,995,000	16,080,000	13,341,525
2042 - 2046	-	-	2,790,000	80,211	12,605,000	1,503,875	4,310,000	6,887,250	19,705,000	8,471,336
2047 - 2051	-	-	-	-	-	-	23,670,000	3,070,750	23,670,000	3,070,750
Total	$26,395,000	$14,394,797	$28,610,000	$35,161,249	$12,605,000	$17,380,923	$27,980,000	$45,201,142	$95,590,000	$112,138,111

6. CONTINGENCIES

During 2001, the Corporation purchased the rights to receive TSRs from the County. There are a number of risks associated with receipts of such TSRs, including litigation affecting participating manufacturers and possible bankruptcy as a result thereof, and future adjustments to the calculation of the TSRs. The Corporation's financial existence is contingent upon receiving TSRs from the tobacco manufacturers.

7. NEW AND FUTURE PRONOUNCEMENTS

New Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application.* This standard addresses accounting and financial reporting issues related to fair value measurements and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Corporation adopted the provisions of Statement No. 72 for the year ending December 31, 2016 with no material effect on the financial statements.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provision of GASB Statement 67 and 68.* The objective of this Statement is to improve the usefulness of information about pensions included in the general purposes external financial reports of statement local governments for making decision and assessing accountability. The Corporation is required to adopt portions of the provisions of Statement No. 73 for the years ending December 31, 2016 and 2017, pending applicability. The Corporation considered the provisions related to GASB Statement No. 73 as of December 31, 2016, and concluded there is no material effect on the financial statements.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP) and reduce the GAAP hierarchy to two categories of authoritative GAAP and address the use of authoritative and nonauthoritative literature. The Corporation adopted the provisions of Statement No. 76 for the year ending December 31, 2016 with no material effect on the financial statements.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. The objective of this Statement is to assist financial statement users in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. The Corporation adopted the provisions of Statement No. 77 for the year ending December 31, 2016 with no material effect on the financial statements.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided Through Certain Multi-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68 and pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The Corporation adopted the provisions of Statement No. 78 for the year ending December 31, 2016 with no material effect on the financial statements.

7. NEW AND FUTURE PRONOUNCEMENTS (Continued)

New Pronouncements (Continued)

In December 2015, the GASB issued Statement No. 79, Certain External Investment Pools and Pool Participants. The objective of this Statement is to establish criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. Specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; (3) calculations and requirements of a shadow price. The Corporation is required to adopt the provisions of Statement No. 79 for the year ending December 31, 2016 and 2017, pending applicability. The Corporation considered the provisions related to GASB Statement No. 79 as of December 31, 2016, and concluded there is no material effect on the financial statements.

Upcoming Pronouncements

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pension (other postemployment benefits or OPEB) included in the general purposes external financial reports of statement local governmental OPEB plans for making decisions and assessing accountability. The Corporation is required to adopt the provisions of Statement No. 74 for the year ending December 31, 2017.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pension (other postemployment benefits or OPEB). The Corporation is required to adopt the provisions of Statement No. 75 for the year ending December 31, 2018.

In January 2016, the GASB issues Statement No. 80, *Blending Requirements for Certain Component Units; an Amendment of GASB Statement No. 14.* The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirement established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity,* as amended. The Corporation is required to adopt the provisions of Statement No. 80 for the year ending December 31, 2017.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements.* The objective of this Statement is to improve 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. The Corporation is required to adopt the provisions of Statement No. 81 for the year ending December 31, 2017.

In March 2016, the GASB issued Statement No. 82, *Pension Issues; an amendment of GASB Statements No. 67, No. 68, and No. 73.* The objective of this Statement is to address certain issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Corporation is required to adopt the provisions of Statement No. 82 for the year ended December 31, 2017 or 2018, pending the measurement date of the employer's pension liability.

7. NEW AND FUTURE PRONOUNCEMENTS (CONTINUED)

Upcoming Pronouncements (Continued)

In November 2016, the GASB issued Statement No. 83, Certain Asset Retirement Obligations. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. This Statement also requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The best estimate should include probability weighting of all potential outcomes, when such information is available or can be obtained at reasonable cost. The Corporation is required to adopt this Statement for the year ended December 31, 2019.

The Corporation has not yet assessed the impact of these pronouncements on its future financial statements.

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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 STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

March 24, 2017

To the Board of Directors
Onondaga Tobacco Asset Securitization Corporation:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major governmental fund of Onondaga Tobacco Asset Securitization Corporation (the Corporation), a blended component unit of the County of Onondaga, New York (the County), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated March 24, 2017.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, 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 statements, 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, 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 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 STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

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

Bonadio & Co., LLP

Bonadio & Co., LLP
Certified Public Accountants

REPORT ON SECTION 2925(3)(f) OF THE NEW YORK STATE PUBLIC AUTHORITIES LAW

March 24, 2017

To the Board of Directors
Onondaga Tobacco Asset Securitization Corporation:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major governmental fund of Onondaga Tobacco Asset Securitization Corporation (the Corporation), a blended component unit of the County of Onondaga, New York (the County), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated March 24, 2017.

In connection with our audit, nothing came to our attention that caused us to believe that the Corporation failed to comply with the Corporation's Investment Guidelines, the New York State (NYS) Comptroller's Investment Guidelines and Section 2925(3)(f) of the NYS Public Authorities Law (collectively, the Investment Guidelines), which is the responsibility of the Corporation's management, insofar as they relate to the financial accounting knowledge of noncompliance with such Investment Guidelines. However, our audit was not directed primarily towards obtaining knowledge of noncompliance with such Investment Guidelines. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Corporation's noncompliance with the Investment Guidelines.

This report is intended solely for the information and use of management of the Corporation, the Board of Directors of the Corporation, and the Office of the State Comptroller of the State of New York. It is not intended to be and should not be used by anyone other than these parties.

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