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

Financial Statements as of December 31, 2022 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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INDEPENDENT AUDITOR'S REPORT

February 8, 2023

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

Report on the Audit of the Financial Statements

Opinions
We have audited the accompanying financial statements of the governmental activities and the major governmental fund of the 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, 2022, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

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 the Onondaga Tobacco Asset Securitization Corporation, as of December 31, 2022, 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.

Basis for Opinions
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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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(Continued)

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2023 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Bonadio & Co., LLP

Our discussion and analysis of the Onondaga Tobacco Asset Securitization Corporation's (the Corporation) financial performance provides an overview of the Corporation's financial activities during 2022. 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, 2022.

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.

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:

	2022	2021
Assets	$ 6,607,483	$ 6,508,419
Liabilities	109,468,315	111,727,205
Deferred gain on refunding	9,171,242	9,733,145
Net position	$ (112,032,074)	$ (114,951,931)
Revenues	$ 7,723,489	$ 7,430,738
Expenses	4,803,632	4,883,541
Change in net position	$ 2,919,857	$ 2,547,197

The Corporation's assets increased by $99,064. This increase is directly related to actual inflow of cash receipts from the Master Settlement Agreement which totaled $7,620,577 and interest of $102,912 offset by actual cash outflows of expenses of $129,084 as well as payments for principal of $2,805,000 and interest totaling $4,690,341 to bondholders. This resulted in a net inflow of $99,064.

The Corporation's liabilities decreased by $2,258,890. This is principally due to the 2022 bond payment of the NYCTT VI bonds of $2,805,000 and amortization of bond premium of $462,817 being offset by additional interest accretion of NYCTT V S-3 bonds of $1,022,364.

Revenues increased by $292,751. The Corporation's Tobacco Settlement Revenue (TSR) payment increased by $190,475, this was augmented by an increase in interest income, which was higher by $102,276, mostly due to higher interest rates as a result of current Federal Reserve policy.

Expenses were lower by $79,909, mainly due to reduced interest of $83,489, offset by slightly higher insurance, office, and audit costs. The reduction is due to the recalculation of amortization schedules after principal payments were made in previous years.

Net position increased by about $2,920,000. This is the amount of revenue in excess of expenses which occurred mainly due to the increase in TSR revenue and higher than anticipated interest receipts.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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.

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

	2022	2021
Assets	$ 6,607,483	$ 6,508,419
Fund balance	6,607,483	6,508,419
Revenues	7,723,489	7,430,738
Expenditures	7,624,425	7,439,345
Excess of revenues over expenditures	99,064	(8,607)

The increase in assets and fund balance from 2021 to 2022 is due to an excess of revenues over expenditures of $99,064.

Revenue increased by $292,751. This increase, as noted previously, is due to a $190,475 increase in TSR payments. This increase in the TSR is due to inflation and profit adjustments. The NYS Attorney General's Office did not note any other specific contributing factors as they had in previous years. Interest income increased by $102,276 due to higher interest rates earned as noted in previous commentary.

The increase in expenditures is $185,080. The principal payment for debt increased by $330,000, while interest payments to NYCTT VI bondholders decreased by $148,500. Additionally, insurance and administrative costs rose slightly by approximately $3,600.

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 as there is 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 an overall decrease in bonds payable for future years. Bonds payable at December 31, 2022 is approximately $101.5 million. This is a change of $1,782,636 from 2021 and is due to the difference between the 2022 principal payment of $2,805,000 and interest accretion of $1,022,364 for NYCTT V S-3 bonds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Under the government-wide methodology, the Corporation showed an increase in its net position. Revenues exceeded expenses by $2,919,857 which then reduced the deficit in the net position from the beginning of the year.

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. The tobacco settlement proceeds were higher by approximately $190,475 from budget to actual. The budget was based on previous year's payment history and due to inflationary pressures and profit changes, the actual 2022 receipt was higher. The interest income was higher than initial budget by $42,912. As discussed previously, this was likely due to higher interest rates as a result of Federal Reserve Policies. The bond principal payment was set at a previous amortization schedule from BLX for the budget. The actual principal payment each year is based on actual MSA payment, therefore, the actual payment will always differ from the budgets. Budgeted interest was higher than actual interest by $152,015. This interest will adjust with actual principal payments and will, like principal payments, always be different from budgeted.

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, 2022

	Debt Service Fund	Adjustments	Statement of Net Position
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	$ 145,566	$ -	$ 145,566
Total current assets	145,566	-	145,566
RESTRICTED ASSETS:			
Restricted cash and cash equivalents	8,199	-	8,199
Restricted investments	6,453,718	-	6,453,718
Total restricted assets	6,461,917	-	6,461,917
Total assets	$ 6,607,483	-	6,607,483
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE / NET POSITION			
CURRENT LIABILITIES:			
Accrued interest payable	$ -	392,733	392,733
Long-term liabilities - due within one year	-	462,817	462,817
Total current liabilities	-	855,550	855,550
LONG-TERM LIABILITIES:			
Long-term liabilities - due after one year	-	108,612,765	108,612,765
Total long-term liabilities	-	108,612,765	108,612,765
Total liabilities	-	109,468,315	109,468,315
DEFERRED INFLOWS OF RESOURCES:			
Deferred gain on refunding	-	9,171,242	9,171,242
FUND BALANCE:			
Restricted for debt service	6,461,917	(6,461,917)	-
Assigned	145,566	(145,566)	-
Total fund balance	6,607,483	(6,607,483)	-
Total liabilities and fund balance	$ 6,607,483		
NET POSITION:			
Restricted for debt service		6,461,917	6,461,917
Unrestricted net deficit		(118,493,991)	(118,493,991)
Total net position		$ (112,032,074)	$ (112,032,074)

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, 2022

	Debt Service Fund	Adjustments	Statement of Activities
OPERATING REVENUES:			
Program revenue -			
Tobacco settlement proceeds	$ 7,620,577	$ -	$ 7,620,577
Interest income	102,912	-	102,912
Total operating revenues	7,723,489	-	7,723,489
OPERATING EXPENDITURES / EXPENSES:			
General government -			
Insurance	5,142	-	5,142
Audit fee	7,865	-	7,865
Legal fees	4,250	-	4,250
Trustee fee	5,250	-	5,250
Administrative agency fee	29,058	-	29,058
Rating agency fee	6,519	-	6,519
General and administrative costs	71,000	-	71,000
Principal	2,805,000	(2,805,000)	-
Interest	4,690,341	(15,793)	4,674,548
Total operating expenses	7,624,425	(2,820,793)	4,803,632
EXCESS OF REVENUES OVER EXPENDITURES/EXPENSES	99,064	2,820,793	2,919,857
CHANGE IN FUND BALANCE/CHANGE IN NET POSITION	99,064	2,820,793	2,919,857
FUND BALANCE / NET POSITION - beginning of year	6,508,419		(114,951,931)
FUND BALANCE / NET POSITION - end of year	$ 6,607,483		$ (112,032,074)

The accompanying notes are an integral part of these statements.

1. ORGANIZATION

Onondaga Tobacco Asset Securitization Corporation (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 2022, the Corporation paid $71,000 to the County for general and administrative expenses.

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 measurable 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, 2022.

- 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 $6,461,917. 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, 2022, the bank balance and carrying amount of the Corporation's cash and cash equivalents, excluding restricted cash and cash equivalents held by a trustee, was $145,566 and the Corporation did not have deposit amounts in excess of the insurance limit established by the Federal Deposit Insurance Corporation (FDIC).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Inflows of Resources
In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. The balance represents the gain from a prior debt refunding that is being amortized over time as a reduction to interest expense. At December 31, 2022, the remaining unamortized balance is $9,171,242 and the Corporation recognized a reduction of interest expense of $561,903 related to the amortization during the year then ended.

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	$ 6,607,483
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.	(109,075,582)
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.	(392,733)
Deferred inflow of resources related to the defeasance of debt is 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.	(9,171,242)
Total net position	$ (112,032,074)

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 the below categories. The amounts shown below represent:

Change in fund balance	$ 99,064
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 therefore does not affect the statement of activities.	2,805,000
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 due and payable using current financial resources.	15,793
Change in net position - statement of activities	$ 2,919,857

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 2 or Level 3 inputs.

Fair value measurements of the Corporation's investments at December 31, 2022 comprised U.S. Government Agency Treasury Bills valued at $6,453,718, 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;
- 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 Sections 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 of 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. Government Agency Bills that has an original maturity of less than one year. As of December 31, 2022, the Corporation's deposits and investments, with maturities of less than one year, were in compliance with the investment and deposit policy and totaled $6,461,917.

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. Government Agency 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.

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. The Corporation may withdraw funds from the Operating Expense Reserve Account to pay for any operating expense not otherwise paid from the operating expense account.

Turbo Redemption Account

This account is used as a pass-through to pay the principal amount to the bondholders of NYCTT VI.

Operating Expense Account

This account is used as a pass-through for funds transferred to the Corporation's operating checking account at Solvay Bank.

4. INVESTMENTS AND DEPOSITS (Continued)

Amounts held in each of these restricted accounts at December 31, 2022 are as follows:

Debt service account	$ 72,115
Liquidity reserve account	6,260,018
Collection account	242
Operating expense reserve account	127,484
Turbo redemption account	2,030
Operating expense account	28
	$ 6,461,917

5. LONG-TERM LIABILITIES

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, the S1, S2 and S4 series were defeased by the 2016 Series Bonds on September 22, 2016. The only bonds remaining for NYCTT V is S3 series. The interest accretion on these S3 bonds for 2022 is $1,022,364.

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 5.00% to 6.75%. The debt is payable from pledged Tobacco Settlement Rights and investment earnings.

5. LONG-TERM LIABILITIES (Continued)

The following is a summary of the Corporation's bonds payable for the year ended December 31, 2022:

	Issue Date	Final Maturity	Interest Rate	Balance December 31
Tobacco Settlement Pass-Through Series 2005 (S3)	11/05	6/55	6.00 - 7.15%	$ 4,963,972
Add: Interest accretion - Series 2005 (S3)				10,732,203
Carrying Value of Series 2005 (S3)				$ 15,696,175
Tobacco Settlement Pass-Through Series 2016	9/16	6/51	5.00 - 6.75%	$ 85,855,000
Add: Premium - Series 2016				7,524,407
Carrying Value of Series 2016				$ 93,379,407

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 2005	$ 4,963,972	$ -	$ -	$ 4,963,972	$ -
Bonds payable - Series 2016	88,660,000	-	2,805,000	85,855,000	-
	93,623,972	-	2,805,000	90,818,972	-
Add: Accreted interest - Series 2005	9,709,839	1,022,364	-	10,732,203	-
Add: Bond premium - Series 2016	7,987,224	-	462,817	7,524,407	462,817
Total bonds payable and accreted interest	$111,321,035	$ 1,022,364	$ 3,267,817	$109,075,582	$ 462,817

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)

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

2023	$ 1,093,595
2024	1,169,789
2025	1,251,292
2026	1,338,473
2027	1,431,729
2028 – 2032	8,801,408
2033 – 2037	12,325,583
2038 – 2042	17,260,873
2043 – 2047	24,172,304
2048 – 2052	33,851,144
2053 – 2055	20,927,635
Future Total Accretion	123,623,825
Cumulative Accreted Interest December 31, 2022	10,732,203
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 payments 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 2022 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
2023	$10,750,000	$ 634,781	$ -	$ 1,645,075	$ -	$ 630,250	$ -	$ 1,399,000	$10,750,000	$ 4,309,106
2024	4,300,000	211,500	-	1,645,075	-	630,250	-	1,399,000	4,300,000	3,885,825
2025	1,610,000	45,281	2,970,000	1,559,688	-	630,250	-	1,399,000	4,580,000	3,634,219
2026	-	-	4,865,000	1,334,431	-	630,250	-	1,399,000	4,865,000	3,363,681
2027	-	-	5,190,000	1,045,350	-	630,250	-	1,399,000	5,190,000	3,074,600
2028 - 2032	-	-	15,585,000	1,266,581	12,605,000	2,295,375	3,125,000	6,916,875	31,315,000	10,478,831
2033 - 2035	-	-	-	-	-	-	24,855,000	1,975,875	24,855,000	1,975,875
Total	$16,660,000	$ 891,562	$28,610,000	$ 8,496,200	$12,605,000	$ 5,446,625	$27,980,000	$15,887,750	$85,855,000	$30,722,137

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
2023	$ -	$ 937,125	$ -	$ 1,645,075	$ -	$ 630,250	$ -	$ 1,399,000	$ -	$ 4,611,450
2024	-	937,125	-	1,645,075	-	630,250	-	1,399,000	-	4,611,450
2025	1,300,000	900,563	-	1,645,075	-	630,250	-	1,399,000	1,300,000	4,574,888
2026	1,755,000	814,640	-	1,645,075	-	630,250	-	1,399,000	1,755,000	4,488,965
2027	1,855,000	713,109	-	1,645,075	-	630,250	-	1,399,000	1,855,000	4,387,434
2028 - 2032	10,905,000	1,829,953	-	8,225,375	-	3,151,250	-	6,995,000	10,905,000	20,201,578
2033 - 2037	845,000	23,766	12,680,000	6,565,063	875,000	3,151,250	-	6,995,000	14,400,000	16,735,079
2038 - 2042	-	-	15,930,000	2,274,987	11,730,000	3,129,375	-	6,995,000	27,660,000	12,399,362
2043 - 2047	-	-	-	-	-	895,500	8,610,000	6,564,250	8,610,000	7,459,750
2048 - 2051	-	-	-	-	-	-	19,370,000	1,994,750	19,370,000	1,994,750
Total	$16,660,000	$ 6,156,281	$28,610,000	$25,290,800	$12,605,000	$13,478,625	$27,980,000	$36,539,000	$85,855,000	$ 81,464,706

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.

Bonadio & Co., LLP
Certified Public Accountants

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

February 8, 2023

To the Board of Directors of the
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 the 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, 2022, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated February 8, 2023.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not 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)

Report on 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 financial statements. 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