

March 8, 2024

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

We have audited the financial statements of the governmental activities and major fund of Livingston Tobacco Asset Securitization Corporation (the Corporation), a blended component unit of the County of Livingston, New York, for the year ended December 31, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 3, 2024. Professional standards also require that we communicate to you the following information related to our audit.

SIGNIFICANT AUDIT MATTERS

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Corporation are described in Note 2 to the financial statements.

No new accounting policies were adopted, and the application of existing policies was not changed during 2023. We noted no transactions entered into by the Corporation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimate affecting the Corporation's financial statements was management's estimate of the Tobacco Settlement Revenue (TSR) receivable, which is based on the actual TSR revenue received in prior years. We evaluated the methods, assumptions, and data used to develop the TSR receivable in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

There are no particularly sensitive financial statement disclosures. The financial statement disclosures are neutral, consistent, and clear.

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Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

We identified no misstatements during our audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report.

We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated the date of our Independent Auditor's Report.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Corporation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Corporation's auditors.

However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management discussion and analysis (MD&A), which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of Board of Directors and management of the Corporation and is not intended to be and should not be used by anyone other than these specified parties.

Bonadio & Co., LLP

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

Financial Statements as of
December 31, 2023 and 2022
Together with Independent
Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

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

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INDEPENDENT AUDITOR'S REPORT

March 8, 2024

To the Board of Directors of the
Livingston 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 major fund of the Livingston Tobacco Asset Securitization Corporation (the Corporation), a blended component unit of the County of Livingston, New York, as of and for the years ended December 31, 2023 and 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 major fund information of the Corporation, as of December 31, 2023 and 2022, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 other 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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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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2024 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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

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

Management's Discussion and Analysis (Unaudited)
December 31, 2023 and 2022

The following Management's Discussion and Analysis (MD&A) provides a comprehensive overview of the Livingston Tobacco Asset Securitization Corporation's (the Corporation's) financial position as of December 31, 2023 and 2022 and its changes in financial position for the years then ended. This MD&A should be read in conjunction with the financial statements and related footnotes of the Corporation, which directly follow the MD&A.

General Overview

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

Overview of the Financial Statements

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

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

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

There were no new debt obligations issued or other major transactions during 2023 or 2022. Required payments have been made since 2007 against outstanding bonds issued based upon the TSRs received by the Corporation.

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

Management's Discussion and Analysis (Unaudited)
December 31, 2023 and 2022

Financial Highlights

Condensed
Statements of Net Position
(in thousands)

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total assets	\$ 1,760	\$ 1,758	\$ 1,648
Accounts payable	-	51	-
Bonds payable	20,061	19,484	18,971
Other liabilities	<u>25</u>	<u>27</u>	<u>29</u>
Total liabilities	<u>20,086</u>	<u>19,562</u>	<u>19,000</u>
Net position	<u>\$ (18,326)</u>	<u>\$ (17,804)</u>	<u>\$ (17,352)</u>

Total Assets

The total assets increased \$2 thousand from 2022 to 2023 and decreased \$15 thousand from 2021 to 2022. The increase in total assets from 2022 to 2023 was due to an increase in TSR receivable and deposits held by trustees. The increase in total assets from 2021 to 2022 was due to an increase in cash, deposits held by trustees, and TSR receivable.

Total Liabilities

The increase in total liabilities from 2022 to 2023 of \$524 thousand reflects the increase in the accretion of outstanding bonds of \$1043 thousand, offset by a principal payment made during the year of \$465 thousand. The increase in total liabilities from 2021 to 2022 of \$491 thousand reflects the increase in the accretion of outstanding bonds of \$973 thousand, offset by a principal payment made during the year of \$460 thousand. In addition, there was accounts payable of \$51 thousand related to the payment to the County for administrative services provided to the Corporation not being paid until after year end.

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

Management's Discussion and Analysis (Unaudited)
December 31, 2023 and 2022

Condensed Statements of Activities
(in thousands)

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Expenses:			
General government -			
Materials and services	\$ 61	\$ 59	\$ 58
Administrative costs	15	15	18
Interest, amortization and fees	<u>1,350</u>	<u>1,310</u>	<u>1,273</u>
Total expenses	1,426	1,384	1,349
Program revenues - tobacco settlement	<u>850</u>	<u>919</u>	<u>843</u>
Net program revenues	(576)	(465)	(506)
General revenue - investment income	<u>54</u>	<u>13</u>	<u>-</u>
Change in net position	(522)	(452)	(506)
Net position - beginning of year	<u>(17,804)</u>	<u>(17,352)</u>	<u>(16,846)</u>
Net position - end of year	<u>\$ (18,326)</u>	<u>\$ (17,804)</u>	<u>\$ (17,352)</u>

Expenses

Expenses incurred in both 2023 and 2022 were greater than those incurred in the prior year primarily due to an increase in the amount of interest and accretion recorded in each year.

Revenues

Total revenues recorded during 2023 were \$29 thousand less than those recorded in 2022. Total revenues in 2022 were \$39 thousand greater than 2021. TSRs vary based on cigarette consumption and are outside the control of the Corporation, so revenues will fluctuate annually as a result.

Financial Analysis of the Corporation's Fund Financial Statements

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

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

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

Management's Discussion and Analysis (Unaudited)
December 31, 2023 and 2022

As of December 31, 2023, the Corporation's debt service fund reported an ending fund balance of \$951,175, representing a \$32,914 increase from the prior year. \$32,556 of fund balance is assigned and is available for the Corporation's future needs. The remainder of fund balance is restricted to indicate that it is not available for spending because it has already been restricted to pay future debt service and fund bond issuance costs.

As of December 31, 2022, the Corporation's debt service fund reported an ending fund balance of \$918,261, representing a \$17,997 increase from the prior year. \$74,749 of fund balance is assigned and is available for the Corporation's future needs. The remainder of fund balance is restricted to indicate that it is not available for spending because it has already been restricted to pay future debt service and fund bond issuance costs.

Debt Service

Debt obligations of the Corporation as of December 31, 2023 consist of the Series 2005 Tobacco Settlement Asset-Backed Bonds and the remaining balance of the Series 2000 Tobacco Settlement Asset-Backed Bonds. The total amount of the Series 2005 Bonds and Series 2000 Bonds outstanding at December 31, 2023 was \$20,061,384. None of the outstanding Series 2005 Bonds were considered current since none were due within twelve months of year end. The total amount of the Series 2005 Bonds and Series 2000 Bonds outstanding at December 31, 2022 was \$19,483,803. None of the outstanding Series 2005 Bonds were considered current since none were due within twelve months of year end.

The Series 2000 Bonds are composed of the following:

- \$725,000 Tobacco Settlement Asset-Backed Bonds, Series 2000 (Tax Exempt Turbo Bonds), maturity date was June 1, 2019, interest rate of 6.30%.
- \$1,195,000 Tobacco Settlement Asset-Backed Bonds, Series 2000 (Tax Exempt Turbo Bonds), maturity date was June 1, 2023, interest rate of 5.80%.
- \$1,935,000 Tobacco Settlement Asset-Backed Bonds, Series 2000 (Tax Exempt Turbo Bonds), maturity date is June 1, 2028, interest rate of 6.25%.
- \$2,940,000 Tobacco Settlement Asset-Backed Bonds, Series 2000 (Tax Exempt Turbo Bonds), maturity date is June 1, 2035, interest rate of 6.50%.
- \$3,490,000 Tobacco Settlement Asset-Backed Bonds, Series 2000 (Tax Exempt Turbo Bonds), maturity date is June 1, 2042, interest rate of 6.625%.

The Series 2005 Bonds are composed of the following:

- \$1,357,489 Tobacco Settlement Asset-Backed Bonds, Series 2005 S1 (Tax Exempt Turbo Capital Appreciation Bonds), maturity date is June 1, 2038, with an accreted value at maturity of \$9,275,000. These values account for past turbo payments made.
- \$1,025,287 Tobacco Settlement Asset-Backed Bonds, Series 2005 S2 (Tax Exempt Turbo Capital Appreciation Bonds), maturity date is June 1, 2050, with an accreted value at maturity of \$14,870,000.
- \$593,061 Tobacco Settlement Asset-Backed Bonds, Series 2005 S3 (Tax Exempt Turbo Capital Appreciation Bonds), maturity date is June 1, 2055, with an accreted value at maturity of \$16,645,000.
- \$1,701,024 Tobacco Settlement Asset-Backed Bonds, Series 2005 S4B (Tax Exempt Turbo Capital Appreciation Bonds), maturity date is June 1, 2060, with an accreted value at maturity of \$113,100,000.

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

Management's Discussion and Analysis (Unaudited)
December 31, 2023 and 2022

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

Contacting the Corporation

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

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

Statements of Net Position
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash	\$ 32,556	\$ 74,749
Tobacco settlement revenues receivable	809,148	788,866
Deposits held by trustee	<u>918,619</u>	<u>894,212</u>
Total assets	<u>1,760,323</u>	<u>1,757,827</u>
LIABILITIES		
Accounts payable	-	50,700
Accrued interest	24,521	27,040
Bonds payable	<u>20,061,384</u>	<u>19,483,803</u>
Total liabilities	<u>20,085,905</u>	<u>19,561,543</u>
NET POSITION		
Restricted for debt service	918,619	894,212
Unrestricted	<u>(19,244,201)</u>	<u>(18,697,928)</u>
Total net position	<u>\$ (18,325,582)</u>	<u>\$ (17,803,716)</u>

The accompanying notes are an integral part of these financial statements.

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

Statements of Activities

For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
EXPENSES:		
General government -		
Professional services	\$ 61,051	\$ 58,642
Administrative costs	14,913	14,913
Interest	<u>1,349,437</u>	<u>1,310,200</u>
Total expenses	1,425,401	1,383,755
PROGRAM REVENUES:		
Tobacco settlement revenues	<u>850,035</u>	<u>919,190</u>
NET PROGRAM REVENUES (EXPENSES)	(575,366)	(464,565)
GENERAL REVENUES - investment income	<u>53,500</u>	<u>12,899</u>
CHANGE IN NET POSITION	(521,866)	(451,666)
NET POSITION - beginning of year	<u>(17,803,716)</u>	<u>(17,352,050)</u>
NET POSITION - end of year	<u>\$ (18,325,582)</u>	<u>\$ (17,803,716)</u>

The accompanying notes are an integral part of these financial statements.

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

Governmental Fund Balance Sheets - Debt Service Fund and Reconciliation to the Statements of Net Position
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash	\$ 32,556	\$ 74,749
Tobacco settlement revenues receivable	809,148	788,866
Deposits held by trustee	<u>918,619</u>	<u>894,212</u>
Total assets	<u>\$ 1,760,323</u>	<u>\$ 1,757,827</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
LIABILITIES:		
Accounts payable	\$ -	\$ 50,700
Total liabilities	<u>-</u>	<u>50,700</u>
DEFERRED INFLOWS OF RESOURCES:		
Tobacco settlement revenues	<u>809,148</u>	<u>788,866</u>
Total deferred inflows of resources	<u>809,148</u>	<u>788,866</u>
FUND BALANCE:		
Restricted for -		
Debt Service	918,619	843,512
Assigned	<u>32,556</u>	<u>74,749</u>
Total fund balance	<u>951,175</u>	<u>918,261</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,760,323</u>	<u>\$ 1,757,827</u>
Amounts reported for governmental activities in the statements of net position are different because:		
Total fund balance	\$ 951,175	\$ 918,261
Tobacco settlement revenues were not received in the current period and therefore, are not reported as revenues at the fund level.	809,148	788,866
Bonds payable and accrued/accreted interest are not due and payable in the current period and therefore, are not reported at the fund level.	<u>(20,085,905)</u>	<u>(19,510,843)</u>
Total net position	<u>\$ (18,325,582)</u>	<u>\$ (17,803,716)</u>

The accompanying notes are an integral part of these financial statements.

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

Statements of Governmental Fund Revenues, Expenditures, and Change in Fund Balance - Debt Service Fund and Reconciliation to Statements of Activities
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
REVENUES:		
Tobacco settlement revenues	\$ 829,753	\$ 878,091
Interest and dividends	<u>53,500</u>	<u>12,899</u>
Total revenues	<u>883,253</u>	<u>890,990</u>
EXPENDITURES:		
Professional services	61,051	58,642
Administrative costs	14,913	14,913
Debt service - principal	465,000	460,000
Debt service - interest	<u>309,375</u>	<u>339,438</u>
Total expenditures	<u>850,339</u>	<u>872,993</u>
CHANGE IN FUND BALANCE	32,914	17,997
FUND BALANCE - beginning of year	<u>918,261</u>	<u>900,264</u>
FUND BALANCE - end of year	<u>\$ 951,175</u>	<u>\$ 918,261</u>
Amounts reported for governmental activities in the statements of activities are different because:		
Change in fund balance	\$ 32,914	\$ 17,997
Tobacco settlement revenues reported in the statements of activities were not received in time to pay current financial obligations and therefore, have not been reported as revenue in the governmental fund statements.	20,282	41,099
The net effect of bond repayments are reported on the governmental funds as an expenditure, but the net effect of accretion and interest expense are only reported on the statements of activities.	<u>(575,062)</u>	<u>(510,762)</u>
Change in net position	<u>\$ (521,866)</u>	<u>\$ (451,666)</u>

The accompanying notes are an integral part of these financial statements.

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

Notes to Basic Financial Statements
December 31, 2023 and 2022

1. ORGANIZATION

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

Net Position

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

Unrestricted net position is the portion of net position that is not restricted, but which may be internally designated by the Board of Directors. At December 31, 2023 and 2022, the unrestricted net position deficit was (\$19,244,201) and (\$18,697,928), respectively, and none was internally designated.

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

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

Fund Balance

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

- **Nonspendable** - These are amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The Corporation has no nonspendable fund balance.
- **Restricted** - These are amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The Corporation had \$918,619 and \$843,512 of restricted fund balance for debt service at December 31, 2023 and 2022, respectively.

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- **Committed** - These are amounts that can be used only for specific purposes determined by a formal action of the Board of Directors prior to year-end. The Board of Directors is the highest level of decision-making authority for the Corporation. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Directors.
- **Assigned** - These are amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. All remaining positive fund balance in the debt service fund is considered assigned.
- **Unassigned** - These are all other spendable amounts that remain in a general fund. Therefore, this is not applicable to the Corporation.

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

Cash

Cash for the Corporation consists of demand and time deposits.

Tobacco Settlement Revenues Receivable

The Corporation records a receivable for TSRs and does not accrue interest on unpaid amounts. The Corporation has not recorded an allowance for doubtful accounts related to the TSRs and does not anticipate future write-offs. This receivable is an estimate based on historical TSR receipts which management has deemed to be an appropriate method of determining the subsequent year receivable.

Deferred Outflows and Inflows of Resources

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

Income Taxes

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

Estimates

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

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3. DEPOSITS AND INVESTMENTS

Investment and Deposit Policy

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

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, held by trustee, at December 31, 2023 comprised U.S. Treasury Bills valued at \$911,256 and Money Market Funds valued at \$7,363, based on quoted market prices (Level 1 inputs).

Fair value measurements of the Corporation's investments, held by trustee, at December 31, 2022 comprised U.S. Treasury Bills valued at \$891,090 and Money Market Funds valued at \$3,122, 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 that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

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

- Obligations of the United States of America;
- Obligations guaranteed by the United States of America where payment of principal and interest are guaranteed by the United States of America;
- Obligations of the State of New York;
- Special time deposit accounts;
- Certificates of Deposit;

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

Custodial Credit Risk - Deposits

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

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

As of December 31, 2023 and 2022, the carrying amount of the Corporation's cash was \$32,556 and \$74,749, and the bank balance was \$32,558 and \$77,501, respectively. The balances were fully insured under the FDIC in each year.

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Custodial Credit Risk - Investments

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

Concentration of Credit Risk

The Corporation places no limit on the amount that may be invested in any one issuer. At December 31, 2023 and 2022, all amounts were held by one bank.

Under the terms of the Indenture, the Corporation is required to maintain certain deposits to fund debt service payments, if needed. Such deposits are included in deposits held by trustee in the basic financial statements.

Restricted Deposits and Investments

The Corporation considers bank deposit accounts and all highly liquid debt instruments with remaining maturities, when purchased, of 12 months or less to be cash equivalents and these are stated at fair value. The Corporation maintains a liquidity reserve account, which as of December 1, 2023, must be maintained at a minimum of \$877,675 until such time that all bonds, other than subordinated bonds, are paid. All amounts withdrawn from this account are replenished, as needed, and amounts in excess of the required amount are transferred out. This account is included in deposits held with trustee on the balance sheet.

4. DEPOSITS HELD WITH TRUSTEE

Funds held by trustee refers to amounts held by a third party to satisfy the Corporation's debt service requirements. The funds held by trustee are not subject to the Corporation's Investment and Deposit Policy or collateralization requirements. As of December 31, 2023 and 2022, the amounts held with the trustee were \$918,619 and \$894,212, respectively.

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

	<u>2023</u>	<u>2022</u>
Liquidity reserve	\$ 881,736	\$ 884,370
Debt service reserve	30,565	8,815
Trapping account	4,558	880
Collection account	<u>1,760</u>	<u>147</u>
Total	<u>\$ 918,619</u>	<u>\$ 894,212</u>

These amounts are restricted by law for debt service.

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Total cash and cash equivalents and marketable securities by type as of December 31, controlled by the Trustee are as follows:

	<u>2023</u>	<u>2022</u>
United States Treasury Bills	\$ 911,256	\$ 891,090
Money Market Funds	<u>7,363</u>	<u>3,122</u>
Total	<u>\$ 918,619</u>	<u>\$ 894,212</u>

5. BONDS PAYABLE

The Corporation's bond obligations as of December 31 are as follows:

	<u>2023</u>	<u>2022</u>
Tobacco Settlement Asset-Backed Bonds, Series 2000	\$ 4,460,000	\$ 4,925,000
Tobacco Settlement Asset-Backed Bonds, Series 2005	<u>15,601,384</u>	<u>14,558,803</u>
Total	<u>\$ 20,061,384</u>	<u>\$ 19,483,803</u>

Tobacco Settlement Pass-Through Bonds, Series 2000

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

The Series 2000 Bonds are composed of the following:

- \$725,000 Tobacco Settlement Asset-Backed Bonds, Series 2000 (Tax Exempt Turbo Bonds), maturity date was June 1, 2019, interest rate of 6.30%.
- \$1,195,000 Tobacco Settlement Asset-Backed Bonds, Series 2000 (Tax Exempt Turbo Bonds), maturity date was June 1, 2023, interest rate of 5.80%.
- \$1,935,000 Tobacco Settlement Asset-Backed Bonds, Series 2000 (Tax Exempt Turbo Bonds), maturity date is June 1, 2028, interest rate of 6.25%.
- \$2,940,000 Tobacco Settlement Asset-Backed Bonds, Series 2000 (Tax Exempt Turbo Bonds), maturity date is June 1, 2035, interest rate of 6.50%.
- \$3,490,000 Tobacco Settlement Asset-Backed Bonds, Series 2000 (Tax Exempt Turbo Bonds), maturity date is June 1, 2042, interest rate of 6.625%.

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Changes in the Tobacco Settlement Pass-Through Bonds, Series 2000 for the years ended December 31 are as follows:

	Balance at <u>1/1/23</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>12/31/23</u>
Tobacco Settlement Pass-through Bonds, Series 2000	\$ 4,925,000	\$ -	\$ (465,000)	\$ 4,460,000

	Balance at <u>1/1/22</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>12/31/22</u>
Tobacco Settlement Pass-through Bonds, Series 2000	\$ 5,385,000	\$ -	\$ (460,000)	\$ 4,925,000

Depending on the extent of actual collections from TSR payments and availability of funds, the Corporation has agreed to make principal payments in accordance with a flexible amortization payment schedule that allows for increased payments and a final maturity of June 1, 2025 on the Series 2000 Bonds.

The following is a summary of the debt service for the Series 2000 bond issue in accordance with both amortization payment schedules at December 31, 2023:

	<u>Required</u>	<u>Flexible</u>	<u>Interest</u>
2024	\$ -	\$ -	\$ 294,262
2025	-	-	294,262
2026	-	-	294,262
2027	-	-	294,262
2028	-	-	294,262
2029-2033	-	-	1,467,088
2034-2038	-	1,870,000	1,076,335
2039-2042	-	2,590,000	289,678
Total	<u>\$ -</u>	<u>\$ 4,460,000</u>	<u>\$ 4,304,411</u>

Principal payments of \$465,000 and \$460,000 were made during 2023 and 2022, respectively.

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Tobacco Settlement Pass-Through Bonds, Series 2005

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

The Series 2005 Bonds are composed of the following:

- \$1,357,489 Tobacco Settlement Asset-Backed Bonds, Series 2005 S1 (Tax Exempt Turbo Capital Appreciation Bonds), maturity date is June 1, 2038, with an accreted value at maturity of \$9,275,000. These values account for past turbo payments made.
- \$1,025,287 Tobacco Settlement Asset-Backed Bonds, Series 2005 S2 (Tax Exempt Turbo Capital Appreciation Bonds), maturity date is June 1, 2050, with an accreted value at maturity of \$14,870,000.
- \$593,061 Tobacco Settlement Asset-Backed Bonds, Series 2005 S3 (Tax Exempt Turbo Capital Appreciation Bonds), maturity date is June 1, 2055, with an accreted value at maturity of \$16,645,000.
- \$1,701,024 Tobacco Settlement Asset-Backed Bonds, Series 2005 S4B (Tax Exempt Turbo Capital Appreciation Bonds), maturity date is June 1, 2060, with an accreted value at maturity of \$113,100,000.

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

	Balance at <u>1/1/23</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>12/31/23</u>
Tobacco Settlement Pass-through Bonds, Series 2005	\$ 4,676,860	\$ -	\$ -	\$ 4,676,860
Accreted Interest	<u>9,881,943</u>	<u>1,042,581</u>	<u>-</u>	<u>10,924,524</u>
Total	<u>\$ 14,558,803</u>	<u>\$ 1,042,581</u>	<u>\$ -</u>	<u>\$ 15,601,384</u>

	Balance at <u>1/1/22</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>12/31/22</u>
Tobacco Settlement Pass-through Bonds, Series 2005	\$ 4,676,860	\$ -	\$ -	\$ 4,676,860
Accreted Interest	<u>8,908,689</u>	<u>973,254</u>	<u>-</u>	<u>9,881,943</u>
Total	<u>\$ 13,585,549</u>	<u>\$ 973,254</u>	<u>\$ -</u>	<u>\$ 14,558,803</u>

LIVINGSTON TOBACCO ASSET SECURITIZATION CORPORATION
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The Corporation's required principal and interest payments at December 31, 2023 on the above bonds are as follows:

	Principal and Interest <u>Due at Maturity</u>
Series 2005 S1 Payable June 1, 2038	\$ 9,275,000
Series 2005 S2 Payable June 1, 2050	14,870,000
Series 2005 S3 Payable June 1, 2055	16,645,000
Series 2005 S4B Payable June 1, 2060	<u>113,100,000</u>
Total	<u>\$ 153,890,000</u>

The Corporation is subject to various debt covenants, including limitations on expenses/expenditures, and compliance with Indenture agreement requirements. The Corporation was in compliance with all covenants and Indenture agreement requirements at December 31, 2023 and 2022.

Interest

Interest expense on bonds payable was \$1,349,437 and \$1,310,200 in 2023 and 2022, respectively. In 2023 and 2022, cash paid for interest was \$309,375 and \$339,438, respectively.

6. TRANSACTIONS WITH LIVINGSTON COUNTY

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

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

The cost to the Corporation for the services provided by the County was \$51,500 in 2023 and \$50,700 in 2022. At December 31, 2022, the services provided by the County had not been paid by the Corporation and were recorded in accounts payable.

No funds considered a residual amount in accordance with the Indenture were available or transferred to the Trustee and ultimately the County in 2023 or 2022.

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7. NET POSITION DEFICIT

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

8. CONTINGENCIES

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

During 2023 and 2022, the Corporation's TSRs were impacted by a Consumption Decline Trapping Event, which is measured annually under the MSA. Under the MSA, since the number of cigarette shipments in 2022 in the 50 United States, District of Columbia and Puerto Rico was less than 212,653,520,071 as outlined in the Indenture under the "Consumption Decline Trapping Event" definition, a trapping event occurred and is still occurring. In addition, for both of the years ended December 31, 2023 and 2022, a Non-Participating Tobacco Product Manufacturer (NPM) Trapping Event was occurring due to the fact that the NPM market share exceeded 7% in each calendar year prior. As of December 31, 2023 and 2022, \$1,115,000 and \$1,231,250, respectively, was being held by the Trustee, pending payment to the recipients, related to the trapping requirements.

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 8, 2024

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund of Livingston Tobacco Asset Securitization Corporation (the Corporation), a blended component unit of the County of Livingston, New York, as of and for the year ended December 31, 2023, and the related notes to the basic financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated March 8, 2024.

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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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