SENECA TOBACCO ASSET SECURITIZATION CORPORATION

FINANCIAL STATEMENTS

December 31, 2014

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Dermody, Burke & Brown, CPAs, LLC

INDEPENDENT AUDITORS' REPORT

BOARD OF DIRECTORS
SENECA TOBACCO ASSET SECURITIZATION CORPORATION

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of **SENECA TOBACCO ASSET SECURITIZATION CORPORATION** (the Corporation), a blended component unit of the County of Seneca, New York, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of Seneca Tobacco Asset Securitization Corporation as of December 31, 2014, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 to 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2015, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Dermody, Burke & Brown

DERMODY, BURKE & BROWN, CPAs, LLC

Syracuse, NY

March 24, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2014 and 2013

Our discussion and analysis of **SENECA TOBACCO ASSET SECURITIZATION CORPORATION'S** (the Corporation) financial performance provides an overview of the Corporation's financial activities during 2014 and 2013. It should be read in conjunction with the financial statements and related footnotes of the Corporation that follow this section to properly evaluate the Corporation's financial position.

Financial Highlights

As discussed further in the notes to the financial statements, the Corporation was formed to acquire from the County of Seneca 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 Seneca County.

Overview of the Financial Statements

The basic financial statements present different views of the Corporation.

- The Statement of Net Position and the Statement of Activities columns shown in the financial statements provide both short-term and long-term information about the Corporation's overall financial status.
- The Governmental Fund Type columns are fund financial statements that focus on individual parts of the Corporation.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

Statement of Net Position and Statement of Activities Columns

The Statement of Net Position and Statement of Activities columns in the basic financial statements report information about the Corporation as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Corporation's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

These two columns in the basic financial statements report the Corporation's net position and how it has changed. Net position (the difference between the Corporation's assets and liabilities) is one way to measure the Corporation's financial health or position. Over time, increases or decreases in the Corporation's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2014 and 2013

Overview of the Financial Statements – Continued

Governmental Fund Type Columns

The Governmental Fund Type columns are accounting devices the Corporation uses to keep track of specific sources of funding and spending. The Corporation's basic services are included in Governmental Funds, which generally focus on (1) cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the Governmental Funds columns provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the Corporation's programs. Because this information does not encompass the additional long-term focus of the Statement of Net Position and Statement of Activities columns, additional information in the notes to the financial statements explains the relationship (or differences) between them.

Financial Analysis of the Corporation as a Whole

Our analysis below focuses on the net position and changes in net position. The Corporation reported liabilities in excess of assets of $8,874,436 as of December 31, 2014. The Corporation's net position for the fiscal year ended December 31, 2014 decreased by $97,750.

Statements of Net Position

	2014	2013
ASSETS		
Cash	$ 310,074	$ 275,334
Restricted Deposits Held with Trustee:		
Debt Service Account	1	41
Liquidity Reserve Account	511,288	511,292
Trapping Account	1,103	2,926
Collection Account	1,114	1,116
Total Restricted Deposits Held with Trustee	513,506	515,375
Total Assets	823,580	790,709
LIABILITIES		
Bonds Payable, Due After One Year	9,698,016	9,567,395
Total Liabilities	9,698,016	9,567,395
TOTAL NET POSITION (DEFICIT)	$ (8,874,436)	$ (8,776,686)

MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2014 and 2013

Financial Analysis of the Corporation as a Whole – Continued

The Corporation's assets increased by approximately $33,000. This represents the net activity of the operating cash account and deposits held by trustee. The Corporation's liabilities increased approximately $131,000 which represents the current year accreted interest on the 2005 Series bonds payable of approximately $321,000 offset by the current year principal payments of $200,000 on the 2000 Series Bonds.

Statements of Activities

	2014	2013
OPERATING REVENUE		
Administrative Fee Income	$ 45,948	$ 44,328
Proceeds from Tobacco Settlement	547,488	483,933
Interest Income	145	229
Total Operating Revenue	593,581	528,490
OPERATING EXPENSES		
Interest Expense	615,381	632,346
Administrative Agent Fee	55,099	56,230
Liability Insurance	0	4,243
Professional Fees	11,350	11,350
Amortization	9,501	9,501
Total Operating Expenses	691,331	713,670
CHANGE IN UNRESTRICTED NET POSITION (DEFICIT)	$ (97,750)	$ (185,180)

The Corporation's decrease in net position for the fiscal year ended December 31, 2014 is the result of interest earnings and proceeds from the tobacco settlement which do not provide enough revenue to meet the Corporation's current expense for interest and accretion recorded.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2014 and 2013

Financial Analysis of the Corporation's Funds

As the Corporation completed the year, its Governmental Funds, as presented in the basic financial statements, reported a combined fund balance of $823,580, which is 4% above last year's total of $790,709.

Debt

The Corporation issued debt to fund its purchases of the future right, title, and interest in the Tobacco Settlement Revenues. Debt is amortized through 2042 for the 2000 Series Bonds and 2060 for the 2005 Series Bonds.

Serial bond principal payments are due annually and interest semiannually for the 2000 Series Bonds. At December 31, 2014 and 2013, the Corporation had $4,420,000 and $4,620,000 in 2000 Serial Bonds outstanding, respectively. This was a 4% decrease from the previous year due to principal payments.

The Corporation is required to make annual debt service payments beginning June 2038 for the 2005 Series Bonds. These bonds are Capital Appreciation Bonds and pay interest at maturity, not every year. The series 2005 Bonds are subordinate to the 2000 Bonds. In December 2009, $1,055,000 of the Series 1 Bonds was retired with the monies held in the trapping fund. The bonds mature as follows:

	Principal and Interest Due at Maturity
Series 2005 S1 Payable June 1, 2038	$ 6,425,000
Series 2005 S2 Payable June 1, 2050	8,605,000
Series 2005 S3 Payable June 1, 2055	10,245,000
Series 2005 S4B Payable June 1, 2060	69,200,000
Total	$ 94,475,000

More detailed information about the Corporation's long-term liabilities is presented in Note 4 to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2014 and 2013

Budget

GASB requires an analysis of significant variations between the original budget and final budget amounts and between final budget amounts and actual budget results. Management has prepared a budget for its operating expenses only, and there were no changes or amendments to the operating budget. Because the budget is not a complete budget, comparison to current operations could be misleading. As such, it has not been presented in this report.

Other Known Facts

Trapping Events

In accordance with Section 6.4(d)(6) of the Indenture and Sections 4.1(iv)(F) and (G), and to the extent contained in the "Calculations for the Tobacco Litigation Master Settlement Agreement" report (the "MSA Report"), as of the Next Distribution Date, three Trapping Events have occurred. One is still occurring.

Consumption Decline Trapping Event

As defined in Exhibit A of the Indenture, a Consumption Decline Trapping Event means that shipments of cigarettes in or to the 50 United States, the District of Columbia and Puerto Rico as measured under the MSA, are less in any year preceding a Deposit Date than the amount opposite such year under the "Consumption Decline Trapping Event" definition, which number is 285,975,111,088.

According to the MSA Report, the amount shown as relevant shipments for the year 2013 was less than the shipment amount specified above and therefore, a Consumption Decline Trapping Event has occurred.

Contacting the Corporation's Financial Management

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 receives. If you have questions about this report or need additional financial information, contact the County Treasurer, Nicholas Sciotti at 1 DiPronio Drive, Waterloo, NY 13165.

GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION (DEFICIT)
December 31, 2014

	Governmental Fund Type - General Fund	Adjustments	Statement of Net Position (Deficit)
ASSETS			
Cash	$ 310,074	$ 0	$ 310,074
Restricted Deposits Held with Trustee:			
Debt Service Account	1	0	1
Liquidity Reserve Account	511,288	0	511,288
Trapping Account	1,103	0	1,103
Collection Account	1,114	0	1,114
Total Restricted Deposits Held with Trustee	513,506	0	513,506
Total Assets	823,580	0	823,580
LIABILITIES			
Bonds Payable, Net of Bond Discount	0	9,698,016	9,698,016
Total Liabilities	0	9,698,016	9,698,016
FUND BALANCE/NET POSITION (DEFICIT)			
Fund Balance:			
Restricted for Debt Service	513,506	(513,506)	0
Unrestricted	310,074	(310,074)	0
Total Fund Balance	823,580	(823,580)	0
Net Position:			
Restricted for Debt Service		513,506	513,506
Unrestricted	0	(9,387,942)	(9,387,942)
Total Net Position (Deficit)	0	(8,874,436)	(8,874,436)
Total Fund Balance/Net Position (Deficit)	$ 823,580	$ (9,698,016)	$ (8,874,436)

See notes to financial statements.

STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES

Year Ended December 31, 2014

	Governmental Fund Type - General Fund	Adjustments	Statement of Activities
REVENUE			
Proceeds from Tobacco Settlement	$ 547,488	$ 0	$ 547,488
Administrative Fee Income	45,948	0	45,948
Interest Income	145	0	145
Total Revenues	593,581	0	593,581
EXPENDITURES/EXPENSES			
Debt Service	494,261	121,120	615,381
Administrative Agent Fee	55,099	0	55,099
Professional Fees	11,350	0	11,350
Amortization	0	9,501	9,501
Total Expenses	560,710	130,621	691,331
Excess (Deficiency) of Revenues over Expenditures/Expenses	32,871	(130,621)	(97,750)
CHANGE IN FUND BALANCE/NET POSITION			
Fund Balance/Net Position (Deficit), Beginning of Year	790,709	(9,567,395)	(8,776,686)
Fund Balance/Net Position (Deficit), End of Year	$ 823,580	$ (9,698,016)	$ (8,874,436)

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 – NATURE OF OPERATIONS

The Seneca Tobacco Asset Securitization Corporation (the Corporation), is a Non-Profit Local Development Corporation under Section 1411 of the Not-For-Profit Corporation Law of the State of New York.

The Corporation was formed to acquire from the County of Seneca 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 purchase price of the County's future right, title and interest in the TSRs has been financed by the issuance of serial bonds. 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 as set forth in the indenture. Payments on the Residual Certificate from TSR collections are subordinate to payments on bonds and 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 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.

The Corporation is classified as a special-purpose government under GASB Statement No. 14. 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.

The Corporation is primarily dependent on the future proceeds from the Tobacco Settlement Rights to meet future obligations under the indenture agreement.

NOTE 2 – 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. These principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial and reporting principles.

NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Presentation – Continued

The Corporation's basic financial statements include columns for Governmental Fund types prepared on the modified accrual basis of accounting (Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance), and columns for Governmental Activities prepared on the accrual basis of accounting (Statement of Net Position and Statement of Activities).

The Statement of Net Position and the Statement of Activities present summaries of activities for the Corporation. The focus of these columns is the sustainability of the Corporation as an entity and the change in the Corporation's net position from the current year's activities.

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. The Corporation records its transactions in the fund types described below:

Fund Categories

Governmental Fund Types are the funds through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources, and the related liabilities are accounted for through Governmental Funds. The measurement focus of the Governmental Funds is based upon determination of financial position and changes in financial position. The following is the Corporation's Governmental Fund Type:

General Fund – the principal operating fund.

NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured, i.e. expenditures or expenses.

The Statement of Net Position and the Statement of Activities 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. Nonexchange transactions, in which the Corporation gives or receives value without directly receiving or giving equal value in exchange, include grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Governmental 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 Funds to be available if the revenues are collected within six months 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 sources.

Equity Classifications

- Restricted Net Position/Restricted Fund Balance – consists of resources with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

- Unrestricted Net Position – consists of all other resources that do not meet the definition of “restricted.”

NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Cash and Cash Equivalents

The Corporation considers all short-term investments with an original maturity of three months or less to be cash equivalents. At December 31, 2014 and 2013, there were no cash equivalents.

Income Tax Status

The Seneca Tobacco Asset Securitization Corporation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through March 24, 2015, which is the date the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 3 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND TYPE COLUMNS AND THE STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES COLUMNS

Due to the differences in the measurement focus and basis of accounting used in the Governmental Fund column and the Statement of Net Position and Statement of Activities column, certain financial transactions are treated differently. The differences result primarily from the economic focus on the Statement of Activities compared with the current financial resources focus of the Governmental Fund Balance Sheet.

A. **Total Fund Balances of Governmental Funds Versus Net Position of Governmental Activities**

Total fund balances of the Corporation's governmental funds differ from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the Governmental Fund Balance Sheet.

Total Fund Balance as Reported in the Governmental Fund Type Column	$ 823,580
Bonds Payable and Accrued Interest are not Due and Payable in the Current Period and Therefore, are Not Reported at the Fund Level	(9,698,016)
Total Net Deficit as Reported in the Statement of Net Position Column	$ (8,874,436)

NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 3 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND TYPE COLUMNS AND THE STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES COLUMNS – Continued

B. **Explanation of Difference between Governmental Fund Type Column in the Operating Statement and the Statement of Activities Column**

Differences between the Governmental Fund type column in the Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities are as follows:

- Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the Governmental Fund statements, whereas interest payments are recorded in the Statements of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

Excess of Revenues over Expenditures as Reported in the General Fund Type Column	$	32,871
Amortization of Bond Discounts Reported in the Statement of Activities do not Require the use of Current Financial Resources and Therefore, are not Reported as Expenses in the Governmental Fund		(9,501)
The Repayment of the Series 2000 Bonds are Activities of the Governmental Fund but not Reported in the Statement of Activities		200,000
Interest is Accreted on 2005 Series Bonds but is not Paid Until Maturity		(321,120)
Deficiency in Revenues over Expenditures as Reported in the Statement of Activities Column	$	(97,750)

NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 4 – CASH AND INVESTMENTS

The Corporation's investment policies are governed by state statutes. In addition, the Corporation follows its written investment policy. The Corporation's monies must be deposited in FDIC-insured commercial banks or trust companies located within the state. The Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, and obligations of New York State or its localities. Total financial institution (bank) balances at December 31, 2014, per the bank, were $823,580.

Restricted deposits held with trustee consist of the following:

Liquidity Reserve Account – This reserve has been established pursuant to the Corporation's indenture and was initially funded in the amount equal to the maximum annual debt service on the Series 2000 Bonds. These deposits consist primarily of money market funds.

Debt Service Account – This is the account from which payments to bondholders are made with money transferred in from the collection account. These deposits consist primarily of money market funds.

Trapping Account – This account has been established pursuant to the Corporation's indenture and is required to be funded when a trapping event has occurred. Following the occurrence of a trapping event, amounts that otherwise would have been paid on the Residual Certificate are deposited into this account to the extent required by the Corporation's indenture until such time that a trapping event is no longer occurring. These deposits consist primarily of money market funds.

Collection Account – This account has been established to receive the Tobacco Settlement payments under the MSA agreement. The monies received in this account are transferred to the debt service account to pay the Corporation's bondholders. These deposits consist primarily of money market funds.

Net position and fund balance have been restricted for this amount.

NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 5 – LONG-TERM DEBT

The Corporation's bond obligations as of December 31, 2014 are as follows:

Tobacco Settlement Asset-Backed Bonds, Series 2000, Net of Discount	$ 4,324,997
Tobacco Settlement Asset-Backed Bonds, Series 2005, Including Accretion	5,373,019
Total	$ 9,698,016

Tobacco Settlement Pass-Through Bonds, Series 2000

On December 7, 2000, the Corporation issued $6,450,000 in variable rate bonds. These bonds were part of the $227,130,000 New York Counties Tobacco Trust I, Tobacco Settlement Pass-Through Bonds, Series 2000. The debt is payable solely from pledged Tobacco Settlement Rights and investment earnings on amounts on deposit. According to the terms of the required amortization payments, the Corporation is required to make annual debt service payments through 2042 with interest ranging from 5% to 6.3%. The Corporation has incurred discount fees associated with the Series 2000 Bond Issue. Such discount fees have been deferred and are being amortized over the life of Series 2000 Bonds. Amortization expense was $9,501 in 2014.

Changes in the Tobacco Settlement Pass-Through Bonds, Series 2000 for the year ended December 31, 2014 are as follows:

	Balance at December 31, 2013	Additions	Reductions	Balance at December 31, 2014
Tobacco Settlement Pass-Through Bonds, Series 2000	$ 4,620,000	$ 0	$ 200,000	$ 4,420,000
Less: Bond Discount	104,504	0	9,501	95,003
Total	$ 4,515,496	$ 0	$ 209,501	$ 4,324,997

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 5 – LONG-TERM DEBT – Continued

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, 2024 on the Series 2001 Bonds.

The following is a summary of the debt service for the Series 2000 bond issue in accordance with the flexible amortization payment schedule at December 31, 2014.

	Nonflexible	Flexible	Total	Interest
2015	$ 65,000	$ 465,000	$ 530,000	$ 216,725
2016	70,000	215,000	285,000	202,913
2017	75,000	235,000	310,000	188,288
2018	140,000	250,000	390,000	172,525
2019	150,000	265,000	415,000	155,788
2020 - 2024	0	2,490,000	2,490,000	359,124
Total	$ 500,000	$ 3,920,000	$ 4,420,000	$ 1,295,363

Tobacco Settlement Pass-Through Bonds, Series 2005

On November 29, 2005, the Corporation issued variable rate bonds with a face value of $95,530,000, discount fees totaling $92,436,115, and bond issuance costs of $197,730. The bonds bear interest at rates ranging from 6% to 7.85%. These bonds were part of the $199,375,348 (net of discount) New York Counties Tobacco Trust V., Settlement Pass-Through Bonds, Series 2005. The debt is payable from pledged Tobacco Settlement Rights and investment earnings on deposit. The Corporation is required to make annual debt service payments beginning June 2038 through June 2060. These bonds are Capital Appreciation Bonds and pay interest at maturity, not every year. The series 2005 Bonds are subordinate to the 2000 Bonds. In December 2009, Series 1 Bonds with a face value of $1,055,000 were retired.

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 5 – LONG-TERM DEBT – Continued

Changes in Tobacco Settlement Pass-Through Bonds, Series 2005 for the year ended December 31, 2014 are as follows:

	Balance at December 31, 2013	Additions	Reductions	Balance at December 31, 2014
Tobacco Settlement Asset-Backed Bonds, Series 2005	$ 3,093,885	$ 0	$ 0	$ 3,093,885
Accreted Interest	1,958,014	321,120	0	2,279,134
Total	$ 5,051,899	$ 321,120	$ 0	$ 5,373,019

The Corporation's required principal and interest payments at December 31, 2014 on the above bonds are as follows:

	Principal and Interest Due at Maturity
Series 2005 S1 Payable June 1, 2038	$ 6,425,000
Series 2005 S2 Payable June 1, 2050	8,605,000
Series 2005 S3 Payable June 1, 2055	10,245,000
Series 2005 S4B Payable June 1, 2060	69,200,000
Total	$ 94,475,000

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 6 – RELATED PARTY

The Corporation is a special-purpose local development corporation and is considered by legal counsel to be bankruptcy-remote from the County of Seneca. However, the Corporation's board of directors is comprised of a majority of elected or appointed officials of the County of Seneca and one independent director.

NOTE 7 – CONTINGENCY AND CONCENTRATION OF CREDIT RISK

During 2000, the Corporation purchased the rights to receive TSRs (Tobacco Settlement Revenues) from the County of Seneca. 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 TSR's. The Corporation's financial existence is contingent upon receiving these TSRs from the tobacco manufacturers. While the risk is considered remote, being of a material nature, it must be disclosed.

NOTE 8 – FINANCIAL INSTRUMENTS

The Corporation maintains its cash account with a local financial institution which at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to cash.

NOTE 9 – NET POSITION (DEFICIT)

The Corporation has a deficit in net position of $8,874,436 at December 31, 2014. This deficit results from operating costs exceeding revenue since the initial period of operation. This deficit will be eliminated through subsequent interest earnings and proceeds from the tobacco settlement.

Dermody, Burke & Brown, CPAs, LLC

INDEPENDENT AUDITORS' 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*

BOARD OF DIRECTORS
SENECA TOBACCO ASSET SECURITIZATION CORPORATION

We have audited, 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, the financial statements of the Seneca Tobacco Asset Securitization Corporation (the Corporation), which comprise the Statement of Net Position as of December 31, 2014, and the related Statements of Revenue, Expenses and Changes in Net Position and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 24, 2015.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dermody, Burke & Brown

DERMODY, BURKE & BROWN, CPAs, LLC

Syracuse, NY

March 24, 2015