ONEIDA TOBACCO ASSET SECURITIZATION CORPORATION
FINANCIAL STATEMENTS
DECEMBER 31, 2015 & 2014

2015

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Oneida Tobacco Asset Securitization Corporation

I have audited the accompanying statements of financial position of the Oneida Tobacco Asset Securitization Corporation, (a non-profit corporation) as of December 31, 2015 and 2014, and the related statements of activities, and cashflows for the years then ended. These financial statements are the responsibility of the Corporation's management. My repsonsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oneida Tobacco Asset Securitiztion Corporation, as of December 31, 2015 and 2014, and the changes in its net assets and cashflows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Patrick M. Tyksinski, CPA PC
February 9, 2016
New Hartford, New York

STATEMENT OF FINANCIAL POSITION

December 31,

	2015	2014
ASSETS		
Cash and cash equivalents	$ 65,383	$ 20,201
Deposits held by trustee	4,638,757	4,661,190
Prepaid trustee fees	2,750	2,750
Prepaid Insurance	3,043	3,043
Original issue discount, Net of accumulated amortization	449,044	464,223
TOTAL ASSETS	$ 5,158,977	$ 5,151,407
LIABILITIES AND NET ASSETS (DEFICIT)		
Accounts payable	$ 7,000	$ 7,000
Interest Payable	299,513	248,938
Bonds Payable Series 2005	61,510,000	61,555,000
Bonds Payable NYCTT V	29,144,494	27,109,497
TOTAL LIABILITIES	90,961,007	88,920,435
Net Assets (Deficit)	(85,802,030)	(83,769,028)
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	$ 5,158,977	$ 5,151,407

STATEMENT OF ACTIVITIES

December 31,

	2015	2014
Revenue		
Tobacco revenue	$ 3,693,845	$ 4,316,427
Investment income	77	49
Total Revenue	3,693,922	4,316,476
Expenses		
Amortization expense	15,179	15,179
Administrative agent fee	9,860	9,860
Audit Fees	7,000	7,000
Bond Rating Fees	6,360	3,573
Bond Interest Expense	5,681,072	5,490,693
Insurance	3,043	8,100
Office and administrative expenses	1	2
Trustee fees	4,411	4,411
Total Expenses	5,726,926	5,538,818
Other Expenditures		
Transfer to County	0	20,000
Total Expenses and Other Expenditures	5,726,926	5,558,818
Revenues over (under) expenses and other expenditures	(2,033,004)	(1,242,342)
Change in Net Assets		
Net assets (deficit) - beginning of year	(83,769,026)	(82,526,686)
Net assets (deficit) - end of year	$ (85,802,030)	$ (83,769,028)

See accountant's report and notes to financial statements

ONEIDA TOBACCO ASSET SECURITIZATION CORP.

STATEMENT OF CASHFLOWS

December 31,

	2015	2014
Cash flows from operating activities		
Revenues over (under) expenditures	$ (2,033,004)	$ (1,242,342)
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization	15,179	15,179
(Increase) decrease in prepaid expenses	0	5,057
(Increase) decrease in deposits held by trustee	22,435	23,853
Increase (decrease) in Interest Payable	50,575	(11,979)
Total adjustments	88,189	32,110
Net cash provided (used) by operating activities	(1,944,815)	(1,210,232)
Cash flow from financing activities:		
Payments on bonds	(45,000)	(665,000)
Increase in bonds do to accreted interest	2,034,997	1,885,873
Net cash provided (used) by financing activities	1,989,997	1,220,873
Net increase (decrease) in cash and equivalents	45,182	10,641
Cash and equivalents, beginning of year	20,201	9,560
Cash and equivalents, end of year	$ 65,383	$ 20,201
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest expense	$ 5,681,072	$ 5,490,693

See accountant's report and notes to financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Oneida Tobacco Asset Securitization Corporation (OTASC) is a special purpose, bankruptcy-remote local development corporation incorporated under the provisions of section 1411 of the State's Not-For-Profit Corporation Law. The Corporation was established in December 2000 for the exclusive purpose of acquiring all rights, titles and interest the County of Oneida is due under the Master Settlement Agreement (MSA), the result of tobacco industry litigation. OTASC acquired the rights to receive all future Tobacco Settlement Receipts (TSR's). The acquisition price of the County's future right, title and interest in the TSR's has been financed by the issuance of serial bonds, as part of the New York Counties Tobacco Trust I, Trust IV and Trust V, which issued Tobacco Settlement Pass-Through Bonds. TSR'S which exceed various expenses of OTASC, debt service and required reserves are transferred to a Residual Trust, under the entitlement of Residual Certificate. The County has a beneficial interest in the Trust and ultimately receives funds held by the Trust. The County has no legal obligation for any of the liabilities or debt which may exist in OTASC.

In order to meet payments on debt service and other obligations the OTASC is dependent upon the receipt of future TSR's.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned, and expenses when incurred.

Deposits held by Trustee

Funds under control of the Trustee are funds held in various types of investment accounts. These funds are held by the Trust and are invested in money market accounts and US Treasury obligations. These investments are recorded at cost which approximates fair market value as of December 31, 2015 and 2014

Income Taxes

The Oneida Tobacco Asset Securitization Corporation is a not-for-profit organization and exempt from income taxes under section 115(1) of the Internal Revenue Code.

Management's Use of Estimates
OTASC prepares its financial statements in conformity with accounting principles generally accepted in the United States which require management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates. Estimates are used when accounting for certain items such as future collections on receivables, liquidity reserves, and contingencies.

NOTE 2 - INTANGIBLE ASSETS

Original issue discount of the Tobacco Settlement Pass-Through Bonds, Series 2005 & 2010, have been capitalized and are being amortized over the life of the bonds, (5 - 40 years). As of December 31, 2015 intangible assets were as follows for the 2005 & 2010 bonds:

Original Issue Discount	$ 607,158
Accumulated Amortization	- 158,114
NET OID	**$ 449,044**

In 2012 a change in accounting principle, under GASB statement # 65, required that issuance costs of bonds would no longer be capitalized and amortized. Due to this in 2012 the outstanding net balance of the issuance costs were reclassified as an expenditure and the net position reduced by the outstanding balance. The net effect of this change amounted to a $1,454,121 reduction in the net position of OTASC.

Amortization expense for the years 2015 and 2014 was $15,179 and $15,179 respectively.

NOTE 3 - LONG-TERM DEBT
Advance Refunding

On August 18, 2005 Oneida Tobacco Asset Securitization Corporation refunded and defeased in substance its outstanding 2000 Series bonds of $54,420,000, carrying variable interest rates of 5.25% to 6.625%, with new 2005A, 2005B, 2005C/2010A Series bonds of $65,630,000, issued at rates varying from 4.25% to 6.25%. All series have varied maturities with the final

payment due December 31, 2045.

All issuance costs of the transaction ($1,394,824) were paid from bond proceeds. Reserve amounts required under the agreement ($5,330,009) were also funded from the bond proceeds. The net proceeds of $58,575,167 were used to redeem the 2000 bonds and cover expenses incurred in connection with the refunding.

2005 Series Bonds (Advance Refunding)

Bonds issued to complete the advanced refunding as described above have varying interest rates and maturity dates as follows:

Issue	Maturity	Rate	Amount
2005A	6/01/2021	4.25	689,532
2005A	6/01/2026	4.75	447,478
2005A	6/01/2038	5.00	1,641,908
2005A	6/01/2042	5.00	8,412,490
2005A	6/01/2045	5.00	8,303,592
2005A	6/01/2027	6.00	6,735,000
2005C/2010A	6/01/2041	6.25	39,400,000
TOTAL ORIGINAL			$ 65,630,000

Future debt service requirements for the 2005 Series bonds is as follows:

YEAR	PRINCIPAL	INTEREST
2016	$15,015,000	$3,128,200
2017	2,900,000	2,571,625
2018	3,800,000	2,362,250
2019	4,200,000	2,112,250
2020	4,500,000	1,840,375
THEREAFTER	31,095,000	4,708,625
TOTAL	$ 61,510,000	$ 16,723,325

New Bond Issue NYCTT V

The Oneida Tobacco Asset Securitization Corporation completed a new bond issue in November 2005. These bonds, noted as Series 2005S2, 2005S3 and 2005S4B, carry varying yields and were sold discounted (zero coupon), the par value of these bonds totals $721,365,000. The maturity dates of the bonds are June 1, 2050 for the 2005S2 series; June 1, 2055 for the 2005S3 series; and June 1,2060 for the 2005S4B series. The discounted amount of these bonds (present value) at time of sale was $14,684,111. The proposed repayment of the bonds would be on an accelerated basis, known as The Turbo Redemption. The yields and maturities, based on the Turbo Redemption Plan, are as follows:

ISSUE	MATURITY	YIELD	PROCEEDS
2005S2	2025-2040	6.10	$ 2,853,841
2005S3	2025-2040	6.85	2,774,686
2005S4B	2025-2040	7.85	9,055,584
	TOTAL		$14,684,111

The 2005S Series bonds are subordinate to the 2005A, 2005/2010 bonds issued in 2005 in the advance refunding discussed above. No interest or principal will be paid on these bonds until all other series bonds of the corporation are redeemed. Funds expected to be used for redemption of these bonds will come from the Tobacco Settlement Receipts. Interest will begin to accrete in 2006, payments are not anticipated until the year 2025.

Redemption of the bonds based on the Turbo Redemption schedule is anticipated as follows:

YEAR	PRINCIPAL	INTEREST	TOTAL
2025	$ 467,481	$ 1,041,950	$ 1,509,431
2026	1,889,575	4,589,515	6,479,090
2027	1,613,607	4,950,003	6,563,610
2028	1,460,117	5,189,297	6,649,415
2029	1,142,259	5,592,320	6,734,578
Thereafter	8,111,072	67,546,019	75,657,091
TOTAL	$14,684,111	$ 88,909,104	$103,593,215

The projected accreted balances for the NYCTT V bonds are as follows:

YEAR	SERIES 2005S2	SERIES 2005S3	SERIES 2005S4B
2013	4,480,468	4,600,855	16,142,301
2014	4,757,781	4,920,921	17,430,795
2015	5,052,477	5,264,350	18,827,667
2016	5,365,386	5,631,141	20,332,917
2017	5,697,747	6,022,853	21,964,608
2018	6,050,804	6,442,599	23,722,740
2019	6,425,384	6,891,938	25,619,355
2020	6,823,555	7,372,426	27,672,516
2021	7,246,147	7,885,623	29,888,244
2022	7,694,815	8,435,420	32,278,581
2023	8,171,214	9,022,598	34,861,590
2024	8,677,414	9,651,828	37,649,313
2025	7,705,224	10,323,889	40,665,834
2026	1,703,406	11,043,454	43,923,195
2027		7,058,136	47,439,459
2028		900,543	51,232,689
2029			49,561,670
2030			46,711,756
2031			43,537,981
2032			40,017,024
2033			36,114,440
2034			31,820,136
2035			27,089,916
2036			21,899,450
2037			16,199,232
2038			9,942,498
2039			3,096,444

NOTE 4 - DEPOSITS HELD IN TRUST

Under the terms of the bond indenture agreement certain accounts were to be maintained by a Trust Company to provide for various functions of the bond repayments. The Liquidity Reserve Account, established with proceeds from

the bond sales is required to maintain on deposit $4,576,052, at December 31, 2015 the balance was $4,576,052. This is adequate to service one year's required debt service. Other accounts serve to act as a conduit for debt service repayment and collection of the TSR's.

NOTE 6 - RELATED PARTY

OTASC is a special purpose local development corporation and is considered by legal counsel to be bankruptcy-remote from the County of Oneida. However, OTASC's board of directors is comprised of a majority of elected or appointed officials of the County of Oneida. For financial statement purposes, OTASC is considered a component unit of the County of Oneida.

NOTE 7 CONTINGENCIES

The primary revenue of OTASC is the receipt of future tobacco payments in accordance with the Master Settlement Agreement between 46 States (including New York) and members of the tobacco industry. The collection of future tobacco payments have many risks associated with it. These risks include, smoking trends, regulatory restrictions and legislative iniatives, potential adjustments to MSA payments, bankruptcy by member(s) of the tobacco industry which are part of the MSA, and lawsuits against these members. The occurence of any of these risks could have an affect upon the amount of payments received by OTASC, and this affect could be significant. The OTASC's financial existence relies upon the collection of the future tobacco payments.