

## **DRESCHER & MALECKI LLP**

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March 21, 2024

Board of Directors  
Niagara Tobacco Asset Securitization Corporation  
Niagara County Office Building  
59 Park Avenue  
Lockport, New York 14094

To the Board of Directors:

We have audited the financial statements of Niagara Tobacco Asset Securitization Corporation ("NTASC"), a component unit of the County of Niagara, New York, as of and for the year ended December 31, 2023, and have issued our report thereon dated March 21, 2024. Professional standards require that we advise you of the following matters relating to our audit.

### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated January 22, 2024, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of the system of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the system of internal control of NTASC solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

## **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by NTASC is included in Note 1 to the financial statements. Except for the matters discussed below, there have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended December 31, 2023.

During the year ended December 31, 2023, NTASC implemented GASB Statements No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; No. 96, *Subscription-Based Information Technology Arrangements*; and a portion of No. 99, *Omnibus 2022*. GASB Statement No. 94 improves financial reporting by addressing issues related to public-private and public-public partnerships arrangements ("PPPs"). GASB Statement No. 96 improves financial reporting by establishing a definition for Subscription-Based Information Technology Arrangements ("SBITAs") and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. A portion of GASB Statement No. 99 enhances comparability in the application of accounting and financial reporting requirements and improves the consistency of authoritative literature related to GASB Statements No. 94 and 96. The implementation of GASB Statements No. 94, 96, and a portion of 99 did not have a material impact on NTASC's financial position or results from operations.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates and Related Disclosures*

Accounting estimates and related disclosures are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimate affecting the financial statements for the year ended December 31, 2023 was the recognition of tobacco settlement revenues as a receivable.

Management's estimate of the recognition of tobacco settlement revenues is based on a combination of recent trends and historical data of tobacco settlement revenue received by NTASC. We evaluated the key factors and assumptions used to develop this estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting NTASC's financial statements relate to long-term debt, contingencies, and related party transactions as described in Notes 4, 6, and 7 to the financial statements.

### **Significant Unusual Transactions**

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. We encountered no significant unusual transactions throughout our audit.

### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified material misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The proposed adjusting journal entries for the year ended December 31, 2023 were brought to the attention of, and corrected by, management, are attached to the management representation letter dated March 21, 2024 as Exhibit I (copy attached).

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to NTASC's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated March 21, 2024.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. During the year ended December 31, 2023, NTASC consulted with Kristin Rumbold CPA PC, a hired outside accounting firm, regarding day to day operations and bookkeeping assistance. Management informed us that, and to our knowledge, none of their consultations with other accountants regarding auditing and accounting matters were significant to our performance of the audit of the financial statements.

### **Other Significant Matters, Findings, or Issues**

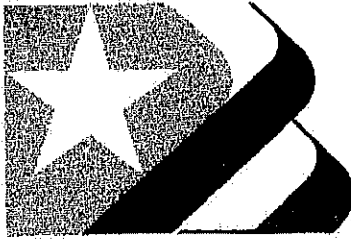
In the normal course of our professional association with NTASC, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as NTASC's auditors.

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

*Drescher & Malecki LLP*

March 21, 2024



## **NIAGARA TOBACCO ASSET SECURITIZATION CORP.**

**175 Hawley Street  
Lockport, NY 14094-2740**

March 21, 2024

Drescher & Malecki LLP  
2721 Transit Road, Suite 111  
Elma, New York 14059

This representation letter is provided in connection with your audit of the financial statements of the governmental activities and each major fund of the Niagara Tobacco Asset Securitization Corporation ("NTASC"), a component unit of the County of Niagara, New York, as of December 31, 2023 and for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the basic financial statements present fairly, in all material respects, the financial position and results of operations of the various opinion units of NTASC in accordance with accounting principles generally accepted for governments in the United States of America ("U.S. GAAP").

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information such that, in the light of surrounding circumstances, 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.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of March 21, 2024:

### **Financial Statements**

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 22, 2024, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
- We acknowledge our responsibility for the design, implementation, and maintenance of the system 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.

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- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- The methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures, are appropriate to achieve recognition, measurement, or disclosure that is reasonable in the context of the applicable financial reporting framework.
- All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- There are no identified material uncorrected misstatements.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- The funds and activities are properly classified.
- All funds that meet the quantitative criteria in GASB Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, GASB Statement No. 37, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus as amended, and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
- All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense/expenditure is incurred for purposes for which both restricted and

unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.

- All revenues within the statement of activities have been properly classified as program revenues or general revenues.
- All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
- All interfund and intra-entity transactions and balances have been properly classified and reported.
- Deposit and investment risks have been properly and fully disclosed.
- All required supplementary information is measured and presented within the prescribed guidelines.

### **Information Provided**

- We have provided you with:
  - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have provided to you our evaluation of the entity's ability to continue as a going concern, including significant conditions and events present, and we believe that our use of the going concern basis of accounting is appropriate.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - Management;
  - Employees who have significant roles in internal control; or

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- Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation, claims, or assessments.
- We have disclosed to you the identity of all the entity's related parties and the nature of all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- NTASC has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We have disclosed to you all guarantees, whether written or oral, under which NTASC is contingently liable.
- We have disclosed to you all nonexchange financial guarantees, under which we are obligated and have declared liabilities and disclosed properly in accordance with GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees, for those guarantees where it is more likely than not that the entity will make a payment on any guarantee.
- For nonexchange financial guarantees where we have declared liabilities, the amount of the liability recognized is the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. Where there was no best estimate but a range of estimated future outflows has been established, we have recognized the minimum amount within the range.
- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 ("GASB-62"), Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for

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reporting specific activities in separate funds.

- There are no:
  - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
  - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
  - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
  - Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240,15(2-12)).
- NTASC has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as disclosed to you.
- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

### **Required Supplementary Information**

With respect to the required supplementary information accompanying the financial statements, including Management's Discussion and Analysis:

- We acknowledge our responsibility for the presentation of the required supplementary information in accordance with U.S. GAAP.
- We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with U.S. GAAP.
- The methods of measurement or presentation have not changed from those used in the prior period and the basis for our assumptions and interpretations, underlying those measurements or presentations, are responsible and appropriate in the circumstances.

### **Other Specific Representations**

- We have not completed the process of evaluating the impact that will result from adopting the remainder of GASB Statement No. 99, Omnibus 2022; No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62; and No. 101, Compensated Absences, effective for the year ending December 31, 2024; and No. 102, Certain Risk Disclosures, effective for the year

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ending December 31, 2025. NTASC is, therefore, unable to disclose the impact that adopting GASB Statements No. 99, 100, 101, and 102 will have on its financial position and results of operations when such statements are adopted.

- NTASC management agrees with the proposed adjusting journal entries as presented in Exhibit I.
- NTASC reports restricted and unassigned fund balances. NTASC has restricted balances of \$3,615,215 and an unassigned fund balance of \$137,798 within its governmental funds for the year ended December 31, 2023. Amounts of fund balance reported as restricted represent NTASC funds that are to be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- Management has disclosed whether, subsequent to December 31, 2023, any changes in internal control or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies or material weaknesses have occurred.
- In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management uses estimates. We are responsible for making the accounting estimates. NTASC has disclosed in the financial statements all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.
- We agree with the work of a specialist in evaluating the accreted interest payable to the Subordinate Turbo CABs and have adequately considered the qualifications of the specialist in determining amounts and disclosures used in the financial statements and underlying accounting records. We did not give any instructions, nor cause any instructions to be given, to specialists with respect to value or amounts derived in an attempt to bias their work, and we are not aware of any matters that have impacted the independent or objectivity of the specialists. We believe that the actuarial assumptions and methods used to measure the accreted interest payable are appropriate in the circumstances.
- Based on an estimate of recent trends and historical data of tobacco settlement revenue received by NTASC, we estimate the tobacco settlement revenues receivable at December 31, 2023 to be \$3,439,249.
- NTASC management believes the entire balance of due from New York State will be used for debt service and, therefore, has classified that portion of net position as restricted for debt service.
- In addition to the audit services, based on information in the NTASC trial balance, Drescher & Malecki LLP has assisted NTASC in preparing NTASC's financial statements for the year ended December 31, 2023. With respect to all nonattest services provided, NTASC has performed the following functions:

- Made all management decisions and performed all management functions.
  - Assigned a competent individual to oversee the services.
  - Evaluated the adequacy of the services performed.
  - Evaluated and accepted responsibility for the results of the services performed.
  - Established and maintained internal controls, including a process to monitor the system of control.
- NTASC management understands the Drescher & Malecki LLP has not performed any management functions or made management decisions on behalf of NTASC. Any nonattest services were performed in accordance with the applicable professional standards issued by the American Institute of Certified Public Accountants.



Rebecca Wydysh, Chairwoman of the County Legislature

**EXHIBIT I**
**Niagara Tobacco Asset Securitization Corporation**  
**Proposed Adjusting Journal Entries**  
**Year Ended December 31, 2023**

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
<b>Proposed Adjusting Journal Entries JE # 1</b>			
To reverse prior year accounts payable.			
2000.00	Accounts Payable	\$ 40,000	\$ -
6750.00	Administration Fees	-	40,000
<b>Total</b>		<u>40,000</u>	<u>40,000</u>
<b>Proposed Adjusting Journal Entries JE # 2</b>			
For reporting purposes only: to record interfund transfers as of 12/31/2023.			
6940.00	Transfer to General Fund	125,000	-
4915.00	Transfer from Debt Service	-	125,000
<b>Total</b>		<u>125,000</u>	<u>125,000</u>
<b>Proposed Adjusting Journal Entries JE # 3</b>			
To accrete interest on Turbo CABs per BLX schedule.			
6920.00	Interest Expense	1,560,099	-
2600.00	Subordinate turbo CABs	-	1,560,099
<b>Total</b>		<u>1,560,099</u>	<u>1,560,099</u>
<b>Proposed Adjusting Journal Entries JE # 4</b>			
To adjust deferred gain and amortization of gain at 12/31/2023.			
2700.00	Deferred Gain	206,431	-
4920.00	Extraordinary Gain	-	206,431
<b>Total</b>		<u>206,431</u>	<u>206,431</u>
<b>Proposed Adjusting Journal Entries JE # 5</b>			
To record current year estimated TSR due from NYS.			
1200.00	Due from New York State	17,923	-
4000.00	Tobacco Settlement Revenues	-	17,923
<b>Total</b>		<u>17,923</u>	<u>17,923</u>
<b>Proposed Adjusting Journal Entries JE # 6</b>			
To record 2023 amortization of bond premium.			
2560.00	Premium on Bonds Payable	145,418	-
4930.00	Amortization of Bond Premium	-	145,418
<b>Total</b>		<u>145,418</u>	<u>145,418</u>
<b>Proposed Adjusting Journal Entries JE # 7</b>			
To adjust interest payments recorded within bonds payable.			
2550.00	Series 2014 Bonds Payable	321,662	-
6920.00	Interest Expense	1,438,338	-
2200.00	Tax Exempt Bond - ST	-	1,760,000
<b>Total</b>		<u>1,760,000</u>	<u>1,760,000</u>

**EXHIBIT I**

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
<b>Proposed Adjusting Journal Entries JE # 8</b>			
To adjust accrued interest payable at 12/31/2023.			
2050.00	Accrued Interest Payable - ST	12,650	-
6920.00	Interest Expense	-	12,650
<b>Total</b>		<u>\$ 12,650</u>	<u>\$ 12,650</u>