

**RENSSELAER TOBACCO ASSET
SECURITIZATION CORPORATION**

*(A Component Unit of the County of Rensselaer, New York)
Basic Financial Statements and Required
Supplementary Information for the
Year Ended December 31, 2023
and Independent Auditors' Reports*

RENSSELAER TOBACCO ASSET SECURITIZATION CORPORATION
(A Component Unit of the County of Rensselaer, New York)
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DRESCHER & MALECKI LLP

2721 Transit Road, Suite 111
Elma, New York 14059
Telephone: 716.565.2299
Fax: 716.389.5178



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Rensselaer Tobacco Asset Securitization Corporation:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of Rensselaer Tobacco Asset Securitization Corporation ("RTASC"), a component unit of the County of Rensselaer, New York, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise RTASC's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of RTASC, as of December 31, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* ("GAS"), issued by the Comptroller General of the United States. Our responsibility under those standards are further described in the Auditors' Responsibilities for Audit of the Financial Statements section of our report. We are required to be independent of RTASC 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 RTASC'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.

Auditors' 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 auditors' 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 GAAS and GAS 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 GAAS and GAS, 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 RTASC'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 RTASC'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 RTASC'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 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 RTASC's internal control over financial reporting and compliance.

Drescher & Malecki LLP

March 8, 2024

RENSELAER TOBACCO ASSET SECURITIZATION CORPORATION
(A Component Unit of the County of Rensselaer, New York)
Management's Discussion and Analysis
Year Ended December 31, 2023

As management of the Rensselaer Tobacco Asset Securitization Corporation (“RTASC”), a blended component unit of the County of Rensselaer, New York (the “County”), we offer readers of RTASC’s financial statements this narrative overview and analysis of the financial activities of RTASC for the fiscal year ended December 31, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in RTASC’s financial statements, which follow this narrative. For comparative purposes, certain items from the prior year have been reclassified to conform with the current year presentation.

Financial Highlights

- Total government-wide liabilities and deferred inflows of resources of RTASC exceeded government-wide assets by \$35,466,292 at December 31, 2023. This consists of \$4,424,649 restricted for debt service, offset by an unrestricted net position of \$(39,890,941).
- RTASC’s net position increased by \$755,719 during the year ended December 31, 2023.
- At the close of the current fiscal year, RTASC’s governmental funds reported combined fund balances of \$2,201,387, an increase of \$58,472 in comparison with the prior year. Approximately 1.5 percent of this amount, \$32,629, is available for spending at RTASC’s discretion (unassigned fund balance). The remaining \$2,168,758 is reported as restricted for debt service.
- RTASC’s total Tobacco Settlement Bonds decreased by \$945,000 as a result of principal payments made during the year, while Subordinate Turbo Capital Appreciation Bonds (“CABs”) increased by \$358,510 as a result of annual net interest accretion.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to RTASC’s basic financial statements. RTASC’s basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements.

Government-wide financial statements—The *government-wide financial statements* are designed to provide readers with a broad overview of RTASC’s finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all RTASC’s assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of RTASC is improving or deteriorating.

The *statement of activities* presents information showing how RTASC’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 9-10 of this report.

Fund financial statements—A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. RTASC, like other governmental entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds—*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

RTASC maintains two individual governmental funds, the General Fund and the Debt Service Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for both funds.

The basic governmental fund financial statements can be found on pages 11-14 of this report.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-24 of this report.

Government-Wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government’s financial position. In the case of RTASC, liabilities and deferred inflows of resources exceeded assets by \$35,466,292 at December 31, 2023, as compared to \$36,222,011 at December 31, 2022. Table 1, shown on the following page, presents the condensed statements of net position for RTASC at December 31, 2023 and December 31, 2022.

Table 1—Condensed Statements of Net Position

	December 31,	
	2023	2022
Current assets	\$ 4,457,278	\$ 4,587,546
Total assets	<u>4,457,278</u>	<u>4,587,546</u>
Current liabilities	117,257	121,663
Noncurrent liabilities	32,797,265	33,425,458
Total liabilities	<u>32,914,522</u>	<u>33,547,121</u>
Deferred inflows of resources	<u>7,009,048</u>	<u>7,262,436</u>
Net position	<u>\$ (35,466,292)</u>	<u>\$ (36,222,011)</u>

A portion of RTASC’s net position, \$4,424,649 and \$4,554,972 at December 31, 2023 and 2022, respectively, represents resources that are subject to external restrictions on how they may be used. Therefore, the unrestricted deficit totals \$39,890,941 and \$40,776,983 at December 31, 2023 and 2022, respectively. The unrestricted net position deficit must be financed by future operations. The deficit results from long-term operations that are greater than currently available resources.

At December 31, 2023, total RTASC assets were \$4,457,278, compared to \$4,587,546 at December 31, 2022. At December 31, 2023, the largest asset held by RTASC represents amounts due from New York State of \$2,255,891, while at December 31, 2022 amounts due from New York State totaled \$2,444,631. RTASC reported no noncurrent assets at December 31, 2023 or December 31, 2022.

Total liabilities at December 31, 2023 were \$32,914,522, compared to \$33,547,121 at December 31, 2022. The largest portion of the liabilities is outstanding debt, totaling \$32,797,265 and \$33,425,458 at December 31, 2023 and 2022, respectively.

RTASC’s deferred inflows of resources, which resulted from a deferred gain on refunding bonds, totaled \$7,009,048 and \$7,262,436 at December 31, 2023 and 2022, respectively.

During the current year, net position for governmental activities increased \$755,719 from the prior fiscal year for an ending net position of \$(35,466,292). The statement of activities presents revenues earned and expenses incurred by RTASC. Table 2, shown below, presents the condensed statements of activities for the years ended December 31, 2023 and 2022.

Table 2—Condensed Statements of Activities

	Year Ended December 31,	
	2023	2022
General revenues	\$ 2,298,416	\$ 2,888,991
Expenses—governmental activities	<u>1,542,697</u>	<u>1,570,836</u>
Change in net position	755,719	1,318,155
Net position—beginning	<u>(36,222,011)</u>	<u>(37,540,166)</u>
Net position—ending	<u>\$ (35,466,292)</u>	<u>\$ (36,222,011)</u>

Total revenues for the years ended December 31, 2023 and 2022 were \$2,298,416 and \$2,888,991, respectively. Revenues for the years ended December 31, 2023 and 2022 consisted of \$2,159,757 (94.0 percent) and \$2,855,588 (98.8 percent), respectively, of tobacco settlement revenues, and \$138,659 and \$33,403, respectively, of interest earnings.

A summary of sources of revenues for the years ended December 31, 2023 and December 31, 2022 is presented below in Table 3.

Table 3—Sources of Revenues

	Year Ended December 31,		Increase/(Decrease)	
	2023	2022	Dollars	Percent (%)
Tobacco settlement revenues	\$ 2,159,757	\$ 2,855,588	\$ (695,831)	(24.4)
Interest earnings	138,659	33,403	105,256	315.1
Total revenues	<u>\$ 2,298,416</u>	<u>\$ 2,888,991</u>	<u>\$ (590,575)</u>	(20.4)

Total expenses for the years ended December 31, 2023 and 2022 were \$1,542,697 and \$1,570,836, respectively. Expenses for the years ended December 31, 2023 and 2022 primarily consisted of \$1,492,532 (96.7 percent) and \$1,520,788 (96.8 percent), respectively, of interest and fiscal charges, and \$50,165 and \$50,048, respectively, of general government support expenses incurred in connection with the operations of RTASC.

A summary of expenses for the years ended December 31, 2023 and December 31, 2022 is presented below in Table 4.

Table 4—Expenses

	Year Ended December 31,		Increase/(Decrease)	
	2023	2022	Dollars	Percent (%)
General government support	\$ 50,165	\$ 50,048	\$ 117	0.2
Interest and fiscal charges	1,492,532	1,520,788	(28,256)	(1.9)
Total expenses	<u>\$ 1,542,697</u>	<u>\$ 1,570,836</u>	<u>\$ (28,139)</u>	(1.8)

Financial Analysis of Governmental Funds

As noted earlier, RTASC uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds—The focus of RTASC’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing RTASC’s financing requirements.

At December 31, 2023, RTASC’s governmental funds reported combined fund balances of \$2,201,387, an increase of \$58,472 in comparison with the prior year. Approximately 1.5 percent of this amount, \$32,629, constitutes unassigned fund balance which is available for spending at RTASC’s discretion. The remainder of the fund balance, \$2,168,758, is restricted for debt service.

The General Fund is the chief operating fund of RTASC. During the year ended December 31, 2023, the General Fund fund balance increased \$55 due to normal operations. At the end of the current fiscal year, General Fund fund balance, \$32,629, was classified as unassigned.

During the year ended December 31, 2023, the Debt Service Fund fund balance increased \$58,417. The increase is a result of tobacco settlement revenues and interest earnings outpacing debt service costs and transfers out to the General Fund. At the end of the current fiscal year, all Debt Service Fund fund balance, \$2,168,758, was restricted for debt service.

Debt Administration

Long-Term Debt—At the end of the current fiscal year, RTASC had net Tobacco Settlement Bonds outstanding of \$27,293,573, which includes an unamortized premium of \$1,153,573 and Subordinate Turbo CABs outstanding of \$5,503,692. During the year ended December 31, 2023, RTASC made principal payments of \$945,000 on its Tobacco Settlement Bonds, while its Subordinate Turbo CABs had annual interest accretion of \$358,510. Additional information on RTASC’s long-term debt can be found in Note 4 to the financial statements.

Requests for Information

This financial report is designed to provide a general overview of RTASC’s finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Rensselaer Tobacco Asset Securitization Corporation, c/o Rensselaer County Bureau of Finance, 99 Troy Road, East Greenbush, New York, 12061.

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BASIC FINANCIAL STATEMENTS

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RENSELAER TOBACCO ASSET SECURITIZATION CORPORATION
(A Component Unit of the County of Rensselaer, New York)
Statement of Net Position
December 31, 2023

	<u>Primary Government Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 32,629
Restricted cash and cash equivalents	2,168,758
Due from New York State	<u>2,255,891</u>
Total assets	<u>4,457,278</u>
LIABILITIES	
Current liabilities:	
Accrued interest payable	117,257
Noncurrent liabilities:	
Tobacco Settlement Bonds payable, net	27,293,573
Subordinate Turbo CABs payable	<u>5,503,692</u>
Total liabilities	<u>32,914,522</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred gain on refunding	<u>7,009,048</u>
Total deferred inflows of resources	<u>7,009,048</u>
NET POSITION	
Restricted for debt service	4,424,649
Unrestricted	<u>(39,890,941)</u>
Total net position	<u>\$ (35,466,292)</u>

The notes to the financial statements are an integral part of this statement.

RENSSELAER TOBACCO ASSET SECURITIZATION CORPORATION
(A Component Unit of the County of Rensselaer, New York)
Statement of Activities
Year Ended December 31, 2023

Functions/Programs	Expenses	Net (Expenses) and Changes in Net Position
		Primary Government Governmental Activities
Primary government:		
Governmental activities:		
General government support	\$ 50,165	\$ (50,165)
Interest and fiscal charges	<u>1,492,532</u>	<u>(1,492,532)</u>
Total primary government	<u>\$ 1,542,697</u>	<u>(1,542,697)</u>
General revenues:		
Tobacco settlement revenues		2,159,757
Interest earnings		<u>138,659</u>
Total general revenues		<u>2,298,416</u>
Change in net position		755,719
Net position—beginning		<u>(36,222,011)</u>
Net position—ending		<u>\$ (35,466,292)</u>

The notes to the financial statements are an integral part of this statement.

RENSSELAER TOBACCO ASSET SECURITIZATION CORPORATION
(A Component Unit of the County of Rensselaer, New York)
Balance Sheet—Governmental Funds
December 31, 2023

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 32,629	\$ -	\$ 32,629
Restricted cash and cash equivalents	-	2,168,758	2,168,758
Total assets	\$ 32,629	\$ 2,168,758	\$ 2,201,387
FUND BALANCES			
Restricted for debt service	\$ -	\$ 2,168,758	\$ 2,168,758
Unassigned	32,629	-	32,629
Total fund balances	\$ 32,629	\$ 2,168,758	\$ 2,201,387

The notes to the financial statements are an integral part of this statement.

RENSSELAER TOBACCO ASSET SECURITIZATION CORPORATION
(A Component Unit of the County of Rensselaer, New York)
Reconciliation of the Balance Sheet—Governmental Funds
to the Government-wide Statement of Net Position
December 31, 2023

Amounts reported for governmental activities in the statement of net position (page 9) are different because:

Total fund balances—governmental funds (page 11)	\$	2,201,387
A long-term asset, due from New York State, \$2,255,891, is not available to pay for current period expenditures and, therefore, is not reported in the fund statements.		2,255,891
Deferred gains associated with refunding of bonds are not reported in the governmental funds. The gain is reported as a deferred inflow of resources on the statement of net position and is recognized as a component of interest earnings over the life of the related debt.		(7,009,048)
Certain current and long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund statements. The effects of these items are:		
Accrued interest payable	\$	(117,257)
Tobacco Settlement Bonds payable		(26,140,000)
Premium on Tobacco Settlement Bonds payable		(1,153,573)
Subordinate Turbo CABs payable		(5,503,692)
		(32,914,522)
Net position of governmental activities	\$	(35,466,292)

The notes to the financial statements are an integral part of this statement.

RENSSELAER TOBACCO ASSET SECURITIZATION CORPORATION
(A Component Unit of the County of Rensselaer, New York)
Statement of Revenues, Expenditures, and Changes in Fund Balances—
Governmental Funds
Year Ended December 31, 2023

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES			
Tobacco settlement revenues	\$ -	\$ 2,348,497	\$ 2,348,497
Interest earnings	142	138,517	138,659
Total revenues	<u>142</u>	<u>2,487,014</u>	<u>2,487,156</u>
EXPENDITURES			
Current:			
General government support	29,837	20,328	50,165
Debt service:			
Principal	-	945,000	945,000
Interest and fiscal charges	-	1,433,519	1,433,519
Total expenditures	<u>29,837</u>	<u>2,398,847</u>	<u>2,428,684</u>
Excess (deficiency) of revenues over expenditures	<u>(29,695)</u>	<u>88,167</u>	<u>58,472</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	29,750	-	29,750
Transfers out	-	(29,750)	(29,750)
Total other financing sources (uses)	<u>29,750</u>	<u>(29,750)</u>	<u>-</u>
Net change in fund balances	55	58,417	58,472
Fund balances—beginning	<u>32,574</u>	<u>2,110,341</u>	<u>2,142,915</u>
Fund balances—ending	<u>\$ 32,629</u>	<u>\$ 2,168,758</u>	<u>\$ 2,201,387</u>

The notes to the financial statements are an integral part of this statement.

RENSELAER TOBACCO ASSET SECURITIZATION CORPORATION
(A Component Unit of the County of Rensselaer, New York)
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances—
Governmental Funds to the Government-wide Statement of Activities
Year Ended December 31, 2023

Amounts reported for governmental activities in the statement of activities (page 10) are different because:

Net change in fund balances—total governmental funds (page 13)	\$	58,472
Certain revenues are not recognized in governmental funds because they are not available soon enough after year-end to pay for the current period's expenditures. On the statement of activities, however, revenues are recognized regardless of when its collected.		(188,740)
Revenues related to the deferred gain on refunding reported in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in the governmental funds.		253,388
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and the related items is as follows:		
Change in accrued interest payable	\$	4,406
Principal repayments on Tobacco Settlement Bonds payable		945,000
Amortization of premium on Tobacco Settlement Bonds payable		41,703
Accreted interest on Subordinate Turbo CABs payable		(358,510)
		632,599
Change in net position of governmental activities	\$	755,719

The notes to the financial statements are an integral part of this statement.

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RENSELAER TOBACCO ASSET SECURITIZATION CORPORATION
(A Component Unit of the County of Rensselaer, New York)
Notes to the Financial Statements
Year Ended December 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Rensselaer Tobacco Asset Securitization Corporation (“RTASC”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of RTASC’s accounting policies are described below.

Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all the nonfiduciary activities of RTASC. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. RTASC reports no fiduciary or business-type activities.

Reporting Entity

RTASC is a special purpose, bankruptcy remote, local development corporation organized under the Not-for-Profit Corporation Law of the State of New York. RTASC is an instrumentality of, but separate, and apart from, the County of Rensselaer, New York (the “County”). Although legally separate from the County, RTASC is a component unit of the County. Based on the nature and significance of RTASC’s relationship with the County and the criteria set forth by GASB, RTASC is included within the County basic financial statements as a blended component unit.

RTASC was incorporated on November 27, 2001 for the purpose of issuing Asset Backed Bonds in order to provide funds to purchase from the County certain of the County’s right, title and interest under the Master Settlement Agreement (the “MSA”) and the Consent Decree and Final Judgment (the “Decree”) as described herein.

The board of directors of RTASC has five members, one of which must meet certain requirements of independence: (i) one who must be the Chief Fiscal Officer of the County, *ex official*; (ii) one as nominated by the Majority of the County Legislature of the County; (iii) one as nominated by the Minority of the County Legislature of the County; (iv) one Independent Director as recommended by the County Executive; and, (v) one additional Director as recommended by the County Executive.

The MSA was entered into on November 23, 1998, among the attorneys general of 46 states (including New York), the District of Columbia, the Commonwealth of Puerto Rico, Guam, the U.S. Virgin Islands, American Samoa and the Territory of the Northern Marianas and for the four largest United States tobacco manufacturers: Philip Morris Incorporated, R.J. Reynolds Tobacco Company, Brown and Williamson Tobacco Company and Lorillard Tobacco Company (collectively the “Original Participating Manufacturers” or “OPMs”) in settlement of certain smoking-related litigation and the Decree entered in New York Supreme Court, including the County’s right to receive certain initial and annual payments to be made by the OPMs under the MSA.

In 2001, the County dedicated the net proceeds of the sale of the bonds as a source of funds for certain capital expenditures and the defeasance of debt. RTASC disbursed the net proceeds of the sale of bonds on behalf of the County as follows: \$27,520,954 to the Escrow Agent to defease certain County general obligation bonds; \$3,004,413 to the County to finance certain capital projects, and \$2,518,565 to the Liquidity Reserve Account held by the Indenture Trustee.

Subsequent to the initial sale of the bonds, the County has the right to receive net proceeds of future bond issuances and the revenues of RTASC that are in excess of RTASC's expenses, debt service and contractual obligations, pursuant to the Bond Indenture. In the current year, there were no payments to the County resulting from these excess revenues.

In accordance with the Bond Indenture and to the extent contained in the MSA Report, a trapping event has occurred. A Consumption Decline Trapping Event occurs when 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 for the year 2022 was 195,545,237,871. According to the MSA Report, the amount shown as relevant shipments for the year 2022 was less than the shipment amount specified above, and therefore a Consumption Decline Trapping Event has occurred for the year ended December 31, 2023.

Basis of Presentation – Government-Wide Financial Elements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about RTASC's funds. Separate statements for governmental funds are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column in the fund financial statements.

RTASC reports the following major governmental funds:

- *General Fund*—The General Fund constitutes the primary operating fund of RTASC and includes all operations not required to be recorded in another fund.
- *Debt Service Fund*—The Debt Service Fund is used to account for the accumulation of resources that are restricted for the payment of principal and interest on long-term obligations of governmental funds.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Tobacco settlement revenues are exchange transactions, based on the notion that the payments are made to the settling states in exchange for their agreement to release the tobacco companies from present and future litigation. Under the terms of the MSA, the tobacco companies have agreed to make annual payments in perpetuity. The MSA includes a schedule of projected annual base payments, subject to certain adjustments based on future events or circumstances. The most significant factor affecting the annual payments is a *volume adjustment*, which creates a direct relationship between domestic shipments of cigarettes and the annual payments. Based on the MSA, the tobacco companies have no obligation to make settlement payments until cigarettes are shipped.

The event that results in the recognition of an asset and revenue by a settling government is the domestic shipment of cigarettes (sales). Therefore, RTASC recognizes a receivable and revenue for tobacco settlement revenues when that event occurs. Because annual tobacco settlement revenue payments are based on cigarette sales from the preceding calendar year, RTASC estimates accrued tobacco settlement revenues that derive from sales from January 1 to their respective fiscal year ends. Under the modified accrual basis of accounting, revenue should be recognized to the extent that the event occurs and resources become *available*.

The governmental fund 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, RTASC 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 are recorded only when the payment is due. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period. All other revenue items are considered to be measurable and available only when case is received by RTASC.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash, Cash Equivalents and Investments—RTASC’s cash and cash equivalents consist of cash on hand, demand deposits, time deposits and short-term, highly liquid investments with original maturities of three months or less from the date acquired by RTASC. At December 31, 2023, RTASC does not report any investments; however, when RTASC does have investments they are recorded at fair value in accordance with GASB.

Restricted Cash and Cash Equivalents—Restricted cash and cash equivalents represent amounts to support fund balance restrictions.

Due from New York State—Represents an estimate of RTASC’s portion of the Master Settlement Agreement and is recorded as a revenue in the government-wide financial statements.

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At December 31, 2023, RTASC does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At December 31, 2023, RTASC reports a deferred inflow of resources of \$7,009,048 related to a deferred gain on refunding, which will be amortized over the life of the Tobacco Settlement Bonds, Series 2016. A deferred gain or loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price.

Net Position Flow Assumption—Sometimes RTASC will fund outlays for a particular purpose from both restricted (e.g., restricted bond proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted—net position and unrestricted—net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is RTASC’s policy to consider restricted—net position to have been depleted before unrestricted—net position is applied.

Fund Balance Flow Assumption—Sometimes RTASC will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. If RTASC must use funds for emergency expenditures it shall expend funds first from funds classified under GASB as nonspendable (if funds become available) then restricted funds. The use of committed and assigned funds as classified by GASB will occur after the exhaustion of available restricted funds. Finally, if no other fund balances are available RTASC will use unassigned fund balance.

Fund Balance Policies—Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. RTASC itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of RTASC's highest level of decision-making authority (RTASC Board). The governing board is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing board (RTASC Board) can by resolution authorize the assignment of fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenses/Expenditures

Program and General Revenues—Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. There are no program revenues in the current year. Items not properly included among program revenues are reported as *general revenues*.

Tobacco Settlement Revenues—During the year ended December 31, 2023, RTASC recognized increased tobacco settlement revenues in accordance with the Master Settlement Agreement. Payments are made according to a set formula based on tobacco sales.

Expenses/Expenditures—General administration costs consist of operating expenses for professional service fees and are paid from revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Indirect expenses have been included as part of the program expenses reported for the various functional activities. Expenditures are recorded on a modified accrual basis of accounting. Payments to the County are recorded when the obligation is incurred.

Transfers In/Out—Transfers are used to move resources from the Debt Service Fund to the General Fund to support operating expenditures.

Other

Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, deferred outflows of resources, and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements—During the year ended December 31, 2023, RTASC 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 RTASC’s financial position or results from operations.

Future Impacts of Accounting Pronouncements—RTASC has 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 ending December 31, 2025. RTASC 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.

Deficit Net Position—At December 31, 2023, RTASC reported a net position deficit of \$35,466,292. The deficit is caused by long-term obligations that are greater than currently available resources.

Tax Status—The Corporation is exempt from federal income tax and investments under section 501(a) of the Internal Revenue Code (IRC) as an organization described in section 501(c)(3).

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

RTASC’s investment policies are governed by New York State statutes. All deposits are carried at fair value. Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit not covered by Federal deposit insurance (FDIC). RTASC has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligation that may be pledged as collateral. Obligations that may be pledged as collateral are outlined in Chapter 623 of the laws of the State of New York.

At December 31, 2023, RTASC’s cash and cash equivalents consisted of the following:

	General Fund	Debt Service Fund	Total
Deposits	\$ 32,629	\$ -	\$ 32,629
Money market funds	-	2,168,758	2,168,758
Total cash and cash equivalents	<u>\$ 32,629</u>	<u>\$ 2,168,758</u>	<u>\$ 2,201,387</u>

Deposits—All deposits are carried at fair value and are classified by custodial credit risk at December 31, 2023 as follows:

	Bank Balance	Carrying Amount
FDIC insured	<u>\$ 32,629</u>	<u>\$ 32,629</u>

Cash Equivalents—Cash equivalents held by RTASC include money market accounts with a maturity date within three months of year end and discount notes with a maturity date within six months of year end. These cash equivalents are carried at amortized cost.

Restricted Cash and Cash Equivalents—RTASC reports restricted cash and cash equivalents in the Debt Service Fund of \$2,168,758 to support restricted fund balance.

Custodial Credit Risk—Deposits— In the case of deposits, this is the risk that in the event of a bank failure, RTASC’s deposits may not be returned to it. As noted above, by New York State statute all deposits in excess of FDIC insurance coverage must be collateralized. At December 31, 2023, RTASC’s deposits were FDIC insured.

Custodial Credit Risk—Cash Equivalents—For cash equivalents, this is the risk that, in the event of the failure of the counterparty, RTASC will not be able to recover the value of its cash equivalents or collateral securities that are in the possession of an outside party. For cash equivalents, this is the risk that in the event of a bank failure, RTASC’s cash equivalents may not be returned to it.

Interest Rate Risk—As a means to limiting its exposure to fair value losses arising from fluctuating interest rates, it is RTASC’s practice to generally limit investments to 180 days or less.

3. RECEIVABLES

Due from New York State—Represents amounts owed to RTASC for tobacco settlement revenue earned in 2023. RTASC has accrued \$2,255,891 within the government-wide statements only, as it is only recognized on the full accrual basis of accounting.

4. LONG-TERM DEBT

In 2001, the RTASC issued \$34,555,000 of Tobacco Settlement Asset Backed Bonds, Series 2001A pursuant to an indenture dated as of December 1, 2001. The net proceeds of the Series 2001A Bonds were used to purchase from the County all of the County’s right, title and interest, under the MSA and the Decree, including the Tobacco Settlement Revenues (“TSR”). On September 22, 2016, RTASC issued \$30,525,000 of Tobacco Settlement Asset Backed Refunding Bonds, Series 2016. The Series 2016 bonds and additional consideration received as a result of the refunding transaction were used to redeem or exchange all of RTASC’s Tobacco Settlement Asset Backed Bonds Series 2001A outstanding in the aggregate principal amount of \$22,225,000, to acquire by negotiated purchase the initial principal amount of outstanding New York Counties Tobacco Trust V (“NYCTT”) Subordinate Bonds component S4B attributable to RTASC, to cancel the related NYCTT Subordinate Bonds component S2, and redeem NYCTT Subordinate Bonds component S1 bonds. In addition, as a result of the refunding RTASC made a payment of \$1,000,000 to provide Rensselaer County with funds for capital purposes.

In the event sufficient funds are not available to meet planned payment maturities, rated maturity dates will be used.

On November 15, 2005, RTASC participated in NYCTT, along with 23 other New York County Tobacco Corporations, and issued Tobacco Settlement Pass-Through Bonds—Subordinate Turbo CABs in various series for the purpose of securitizing additional future tobacco settlement revenues. The net proceeds of the 2005 series, after closing costs, amounted to \$12,225,328, and were used to purchase tobacco settlement rights from the County. The issuance had four components and payments on the Subordinate Turbo CABs were subordinate to the Series 2001 Bonds. As a result of the Tobacco Settlement Asset Backed Refunding Bonds, Series 2016 transaction described above, only the Series 2005 S3 Subordinate Turbo CABs remain.

Changes in Series 2016 Tobacco Settlement Bonds for the year ended December 31, 2023 are as follows:

Description	Year of Maturity	Beginning Balance 1/1/2023	Additions	Deletions	Ending Balance 12/31/2023	Amounts* Due Within One Year
Series 2016 Tobacco Settlement Bonds	2035	\$ 27,085,000	\$ -	\$ 945,000	\$ 26,140,000	\$ 3,675,000
Plus:						
Bond premium		<u>1,195,276</u>	<u>-</u>	<u>41,703</u>	<u>1,153,573</u>	<u>162,180</u>
Net Tobacco Settlement Bonds		<u>\$ 28,280,276</u>	<u>\$ -</u>	<u>\$ 986,703</u>	<u>\$ 27,293,573</u>	<u>\$ 3,837,180</u>

*Actual amounts due within one year may vary based on the receipt of TSRs and RTASC's ability to make the payment of principal and interest, as referenced in Note 6.

Amortization of Bond Premium—Bond premiums are being amortized based on the percentage of principal paid to date. The unamortized bond premium as of December 31, 2023 was \$1,153,573.

RTASC debt service requirements, based upon planned principal payments, for Tobacco Settlement Bonds, Series 2016 are currently estimated as follows:

Year Ending December 31,	Principal	Interest	Total
2024	\$ 3,675,000	\$ 1,303,031	\$ 4,978,031
2025	1,490,000	1,156,425	2,646,425
2026	1,580,000	1,068,163	2,648,163
2027	1,685,000	974,294	2,659,294
2028	1,795,000	874,244	2,669,244
2029-2033	10,780,000	2,717,970	13,497,970
2034-2035	<u>5,135,000</u>	<u>258,375</u>	<u>5,393,375</u>
Total	<u>\$ 26,140,000</u>	<u>\$ 8,352,502</u>	<u>\$ 34,492,502</u>

Subordinate Turbo CABs—Interest on the Subordinate Turbo CABs is compounded semi-annually on June 1 and December 1, but is not payable until bond maturity. Interest accretes until both principal and accreted interest are paid. Future interest accretion has been recorded as bond discount and amortized as the current interest accretes. The accreted interest on the Subordinate Turbo CABs is reflected within the Subordinate Turbo CABs payable liability.

A summary of the Subordinate Turbo CABs net bond balance activity for the year ended December 31, 2023 follows:

	<u>Interest Rate</u>	<u>Original Principal</u>	<u>Beginning Balance 1/1/2023</u>	<u>Annual Net Interest Accretion</u>	<u>Turbo Redemption Payments</u>	<u>Ending Balance 12/31/2023</u>
Subordinate Turbo CABs	6.85%	<u>\$ 13,736,443</u>	<u>\$ 5,145,182</u>	<u>\$ 358,510</u>	<u>\$ -</u>	<u>\$ 5,503,692</u>

Redemption of the Subordinate Turbo CABs as outlined in the original official statement totals \$13,736,443 and is scheduled to be paid from 2035 to 2040, while early payment is allowed. During the year ended December 31, 2023, RTASC did not make any redemption payments. Outstanding Subordinate Turbo CABs consist of one installment, Series 2005 S3. Any debt service amounts not paid in accordance with the Turbo Redemption Payments schedule will be due and payable on the June 1, 2055 maturity date.

5. NET POSITION AND FUND BALANCE

The government-wide financial statements utilize a net position presentation. Net position is categorized as restricted and unrestricted components.

- **Restricted for Debt Service**—This category restricts a portion of net position for payment of the debt service obligations of RTASC. At December 31, 2023, the balance of this restriction was \$2,168,758.
- **Unrestricted Component of Net Position**—This component represents net position of RTASC not restricted for any other purpose.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation. At December 31, 2023, RTASC reported \$2,168,758 of fund balance restricted for debt service that must be used toward the future repayment of bonded debt.

As of December 31, 2023, RTASC reported no nonspendable, committed, or assigned fund balances.

6. CONTINGENCIES

The ability of RTASC to meet debt service payments of bonds is contingent upon the receipt of TSRs. TSRs are principally dependent upon future levels of domestic consumption. A significant decline in the overall consumption of cigarettes could have a material adverse effect on the payments by the OPMs under the MSA and the amounts available to RTASC to make payments of principal and interest on their bonds.

Certain smokers, smokers' rights organizations, consumer groups, cigarette importers, cigarette distributors, cigarette manufacturers, Native American tribes, taxpayers, taxpayers' groups and other parties have filed actions against some, and in certain cases all, of the signatories to the MSA. In the event of an adverse court ruling in such types of litigation, Bondholders could incur a complete loss of their investment.

Additionally, the OPMs are also exposed to liability from various lawsuits including individual lawsuits, class action lawsuits and health care cost recovery litigation. Ultimately, the outcome of these and any other pending or future lawsuits is uncertain. One or more adverse judgment could result in delays in, or reductions of amounts available for, payments on the bonds.

7. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 8, 2024, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

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DRESCHER & MALECKI LLP

2721 Transit Road, Suite 111
Elma, New York 14059
Telephone: 716.565.2299
Fax: 716.389.5178



**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**

To the Board of Directors
Rensselaer 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 each major fund of Rensselaer Tobacco Asset Securitization Corporation ("RTASC"), a component unit of the County of Rensselaer, New York, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise RTASC'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 RTASC'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 RTASC's internal control. Accordingly, we do not express an opinion on the effectiveness of RTASC'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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether RTASC'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 RTASC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Drescher & Malecki LLP

March 8, 2024