
Certified Public Accountants

March 14, 2014

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

Members of the NTASC Board of Directors:

We have audited the financial statements of the Niagara Tobacco Asset Securitization Corporation ("NTASC"), a component unit of County of Niagara, New York, as of and for the year ended December 31, 2013, and have issued our report thereon dated March 14, 2014. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility Under Generally Accepted Auditing Standards

As communicated in our engagement letter dated December 2, 2013, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity 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 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 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. 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, 2013. 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.

During the year ended December 31, 2013, NTASC has implemented GASB Statements No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, and No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*. GASB Statement No. 61 clarifies the manner in determining whether or not an organization should be included as a component unit, and GASB Statement No. 66 improves accounting and financial reporting for a governmental entity by resolving conflicting guidance that resulted from the issuance of Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB Statements No. 61 and No. 66 did not have a material impact on the Town's financial position or results from operations.

Tobacco settlement payments to be received by the County during the year ending December 31, 2014 are based on tobacco sales made during the year ended December 31, 2013. While they are not considered receivable under the modified basis of accounting as discussed in Note 1, they are considered receivable within the governmental activities during the current year.

Significant Accounting Estimates

Accounting estimates 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 estimates affecting the financial statements were the recognition of tobacco settlement revenues as a receivable within governmental activities and the subordinate Turbo CAB's outstanding and related interest.

Management's estimate of recognition of tobacco settlement revenues is based on knowledge and experience about past and current events and on assumptions about future events. Management's

estimate of subordinate turbo CAB's outstanding and related interest is based on previous year activity and work of a third party specialist. We evaluated the key factors and assumptions used to develop tobacco settlement revenues and subordinate turbo CAB's outstanding 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.

Identified or Suspected Fraud

We have not identified any information that indicates that fraud may have occurred during the year ended December 31, 2013.

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 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 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. Those entries identified by us as a result of our audit procedures and corrected by management that are considered material, either individually or in the aggregate, to the financial statements taken as a whole are attached to the management representation letter dated March 14, 2014 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 auditor's 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 14, 2014.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

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, 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.

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

We will be pleased to discuss this report with you further at your convenience.

Yours truly,

A handwritten signature in black ink, appearing to read "Duescher & Malachuk". The signature is written in a cursive, flowing style.