

GREENE TOBACCO ASSET
SECURITIZATION CORPORATION
(a blended component unit of Greene County, New York)

BASIC FINANCIAL STATEMENTS
(and Report of Independent Auditors)

December 31, 2010

GREENE TOBACCO ASSET SECURITIZATION CORPORATION
(a blended component unit of Greene County, New York)

TABLE OF CONTENTS

	Page(s)
Independent Auditors' Report	1-2
Statement of Net Assets (Deficit) and Governmental Fund Balance Sheet	3
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance	4
Notes to Financial Statements	5-13
Report on Internal Control Over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	14-15

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Greene Tobacco Asset Securitization Corporation:

We have audited the accompanying statement of net assets (deficit) and governmental fund balance sheet of Greene Tobacco Asset Securitization Corporation (a blended component unit of Greene County, New York), (the "Corporation") at December 31, 2010 and its related statement of activities and governmental fund revenues, expenditures and change in fund balance for the year then ended and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

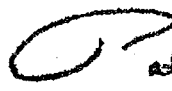
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

GASB Statement No. 34 "Basic Financial Statements and - Management's Discussion and Analysis - for State and Local Governments" requires an introductory section of the financial statements for management's discussion and analysis a (MD&A) and other required supplementary information such as budgetary comparisons following the notes to the financial statements. This information has not been presented.

In our opinion, except for the exclusion of MD&A and budgetary comparisons as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Greene Tobacco Asset Securitization Corporation as of December 31, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note K. to the financial statements, net assets as of December 31, 2009 were restated to reflect accumulated accrued interest on the 2005 Series Bond.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2011 on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.


Patricia Hooley, Haver
A. Owen, CPA's, P.C.

Catskill, New York
March 28, 2011

GREENE TOBACCO ASSET SECURITIZATION CORPORATION
 (a blended component unit of Greene County, New York)
STATEMENT OF NET ASSETS (DEFICIT) AND
GOVERNMENTAL FUND BALANCE SHEET
 December 31, 2010

	Special Revenue Fund and Total Governmental Funds	Full Accrual Adjustments	Statement of Net Assets (Deficit)
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 116,671	\$ -	\$ 116,671
Prepaid insurance	-	7,077	7,077
Tobacco settlement receivables	623,122	-	623,122
Total current assets	739,793	7,077	746,870
Noncurrent assets:			
Restricted investments held by fiscal agent	667,773	-	667,773
Bond issuance costs, net	-	198,567	198,567
Total noncurrent assets	667,773	198,567	866,340
Total assets	\$ 1,407,566	\$ 205,644	\$ 1,613,210
LIABILITIES			
Current liabilities:			
Interest accrual	\$ -	\$ 43,282	\$ 43,282
Bonds payable, current portion	-	90,000	90,000
Total current liabilities	-	133,282	133,282
Long-term liabilities:			
Bonds payable, net of current portion	-	13,024,542	13,024,542
Total long-term liabilities	-	13,024,542	13,024,542
Total liabilities	-	13,157,824	13,157,824
FUND BALANCE/NET ASSETS (DEFICIT)			
Fund Balance:			
Reserved for debt service	1,407,566	(1,407,566)	-
Total fund balance	1,407,566	(1,407,566)	-
Total liabilities and fund balance	\$ 1,407,566		
Net Assets (Deficit):			
Restricted		(12,952,180)	(11,544,614)
Total liabilities and net assets (deficit)		\$ 205,644	\$ 1,613,210

See auditors' report. See notes to financial statements.

GREENE TOBACCO ASSET SECURITIZATION CORPORATION
 (a blended component unit of Greene County, New York)
 STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND
 REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 Year ended December 31, 2010

	Special Revenue Fund and Total Governmental Funds	Full Accrual Adjustments	Statement of Activities
General revenues:			
Other financing sources			
Administrative fee income	\$ 37,419	\$ -	\$ 37,419
Interest and dividend income	85	-	85
Tobacco settlement revenue	456,413	-	456,413
Total general revenues	<u>493,917</u>	<u>-</u>	<u>493,917</u>
General expenditures/expenses:			
Other financing uses			
Interest	495,044	211,745	706,789
Debt service principal payments	85,000	(85,000)	-
Professional fees - Officers	5,000	-	5,000
Professional fees - Legal	5,000	-	5,000
Professional fees - Audit	5,585	-	5,585
Administrative fees - other	964	-	964
Trustee Fees	12,131	-	12,131
Insurance	8,773	-	8,773
Amortization	-	5,705	5,705
Total expenditures/expenses	<u>617,497</u>	<u>132,450</u>	<u>749,947</u>
Change in fund balance/net assets (deficit)	<u>(123,580)</u>	<u>(132,450)</u>	<u>(256,030)</u>
Fund balance/net assets (deficit), beginning of year, as adjusted	<u>1,531,146</u>	<u>(12,819,730)</u>	<u>(11,288,584)</u>
Fund balance/net assets (deficit), end of year	<u>\$ 1,407,566</u>	<u>\$ (12,952,180)</u>	<u>\$ (11,544,614)</u>

See auditors' report. See notes to financial statements.

GREENE TOBACCO ASSET SECURITIZATION CORPORATION
NOTES TO FINANCIAL STATEMENTS

A. Summary of Significant Accounting Policies:

1. Organization:

Greene Tobacco Asset Securitization Corporation (GTASC) was incorporated October 17, 2000 as a local development corporation by the County of Greene, New York (the County) under the provisions of Section 1411 of the New York State Not-For-Profit Corporation Law and as a Public Authority they are subject to the Public Authority Accountability Act of 2005. Its purpose is to issue bonds securitized solely from County Tobacco Settlement Revenues under the Master Settlement Agreement dated November 23, 1998, purchased from the County under the Purchase and Sale Agreements dated October 15, 2000, August 25, 2005 and November 25, 2005 and to forward to the County the net proceeds from the bond issuance. GTASC paid off the 2000 bond series during 2005 through a debt reconstructive plan. The plan involved selling a 2005 bond series. The Corporation is treated as a blended component unit of the County.

2. General:

The accompanying general purpose financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America for governments as prescribed by Governmental Accounting Standards Board (GASB) which is the primary standard setting body for establishing governmental accounting and financial reporting principles.

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

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 related cash flows.

Governmental fund financial 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 considered measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Corporation considers revenues to be available if they are collected within one year after the end of the current fiscal period. The Corporation applies GASB Technical Bulletin No. 2004-1 "Tobacco Settlement Recognition and Financial Report Entity Issues" and recognizes tobacco settlement revenue when the event giving rise to recognition (i.e., the domestic shipment of cigarettes) occurs. Expenditures generally are recorded when a liability is incurred.

See auditors' report.

GREENE TOBACCO ASSET SECURITIZATION CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

A. Summary of Significant Accounting Policies (Continued):

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued):

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers who purchase, use, or benefit from the services provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted interest income and tobacco settlement rights not included among program revenues are reported as general revenues. The Corporation has no program revenues.

In addition to the government-wide financial statements, the Corporation has prepared financial statements for the Corporation's only governmental fund. Governmental fund financial statements continue to use the modified accrual basis of accounting and the current financial resources measurement focus. Accordingly, the accounting and financial reporting of the fund financial statements is similar to what previously could have been presented in the Corporation's financial statements, although the format of the financial statements has been modified by Statement No. 34. Due to the single purpose nature of the activities of the Corporation, the government-wide and fund financial statements have been presented together with an adjustments column reconciling the differences.

The Corporation reports one governmental fund - the Special Reserve Fund. As a blended component unit of Greene County, New York, the Special Revenue Fund is combined into the Governmental funds of Greene County, New York. When both restricted and unrestricted resources are available for use, it is the Corporation's policy to use restricted resources first, then unrestricted resources as they are needed.

Under the full accrual basis the Corporation is required to report the full amount of the bonds outstanding, however, cannot recognize the tobacco settlement revenue to be received in the future. The future collection of tobacco settlement revenue (TSR) is dependent on many factors, including future cigarette consumption. As such, the future collection is not reasonably estimatable and is not recorded as an asset in either the government-wide financial statements or the governmental fund financial statements. This results in a significant deficit in net assets on the government wide financial statements.

4. Use of 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. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

See auditors' report.

GREENE TOBACCO ASSET SECURITIZATION CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

A. Summary of Significant Accounting Policies (Continued):

5. Income Tax Status:

The Corporation is exempt from federal income tax under Section 115 (1) of the Internal Revenue Code and from state income tax under Section 1411 of the State Not-For-Profit Corporation Code.

B. Cash and Cash Equivalents:

Cash includes cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date acquired by the Corporation. The carrying values of cash at December 31, 2010 was \$116,671 and is covered by Federal Depository Insurance.

C. Restricted Investments Held By Fiscal Agent:

Investments held by the fiscal agent consist of a Liquidity Reserve, Issuance, Collection and Debt Service accounts.

The Liquidity Reserve Account, administered by a trustee, was established and initially funded from bond proceeds. This account serves as collateral for the Corporation's bonds and may be used to pay interest and required amortization payments.

The Collection Account, administered by a trustee, serves to receive proceeds from tobacco companies under the Master Settlement Agreement. Funds are transferred to the Debt Service account.

The Debt Service Account, administered by a trustee, serves to remit payments to bond holders.

Investments held by fiscal agent at year-end consisted of money market funds as follows:

August 2005 Series	<u>Fair Market Value</u>	<u>Cost</u>
Liquidity Reserve	\$ 648,374	\$ 648,374
Issuance Fund	13,716	13,716
Turbo	3,872	3,872
Debt Service	<u>1,811</u>	<u>1,811</u>
August and November 2005 Series	<u>\$ 667,773</u>	<u>\$ 667,773</u>

Money market funds were fully collateralized at year-end.

The Corporation's investment policy is to invest in high quality investments at a yield not to exceed the yield on the TASC bonds.

Investments consist of collateralized commercial paper which is all scheduled to mature within the next year.

See auditors' report.

GREENE TOBACCO ASSET SECURITIZATION CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

C. Restricted Investments Held By Fiscal Agent (Continued):

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Corporation manages and attempts to minimize interest rate risk by investing in short-term investments that mature within one year, so that they can react to changing interest rates and invest in securities that provide the highest yield without exceeding interest rates on the TASC bonds.

D. Tobacco Settlement Receivable:

As purchaser of the County's Tobacco Assets under the Master Settlement Agreement, per the Purchase and Sale Agreement dated August 25, 2005 and November 25, 2005 between the Corporation and the County, the Corporation obtained all right, title and interest, exclusive of the 100% Beneficial Interest in the Residual Trust, of the Tobacco Assets. Total available funds over the life of the bonds including earnings on the Liquidity Reserve less annual operating expense allocations (see Note H) estimated at \$59.6 million at the bond issuance date are dependent upon numerous variables. These variables are identified in the Bond Offering Statement dated August 25, 2005 and November 25, 2005.

Collections of funds in excess of debt service requirements, should they occur, will be residual payments, the rights to which have been retained by the County.

E. Bond Issuance Costs:

The original bond issue from 2000 was paid off and the unamortized bond issuance cost was expensed in 2005. There are two Bond issuance costs of \$159,340 (Trust IV) and \$68,853 (Trust V), regarding two bond sales in 2005. The bond issues are being amortized on the straight-line method over the life of the bonds (40 years). Amortization expense for the year was \$5,705. Accumulated amortization was \$29,626 at December 31, 2010. The straight line method is not materially different from the effective interest rate method.

F. Bonds Payable:

On December 7, 2000, the Corporation issued \$8,115,000 variable rate bonds. These bonds were part of the \$227,130,000 New York Counties Tobacco Trust I, Tobacco Settlement Pass-Through Bonds, Series 2000. The Corporation's bonds consisted of serial bonds maturing in the years 2002 through and including 2015, fixed term bonds maturing in the years 2016 through and including 2019 and flexible term bonds maturing in the years 2020 through and including 2042. The 2000 Bond Series was paid off in 2005.

See auditors' report.

GREENE TOBACCO ASSET SECURITIZATION CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

F. Bonds Payable (Continued):

On August 25, 2005, the Corporation issued \$11,672,040 fixed rate bonds. These bonds were part of the \$414,798,208 New York Counties Tobacco Trust IV, Tobacco Settlement Pass-Through Bonds, Series 2005 N-151. The Corporation's bonds consist of \$10,805,000 of current interest turbo bonds maturing in the years 2006 through and including 2045 and capital appreciation bonds of \$867,040. There is no scheduled payment of principal or interest on the capital appreciation bonds in the required schedule. Interest accrues on the capital appreciation bonds and is not payable until the Corporation's bonds are collateralized by the Tobacco Settlement Revenues acquired from the County and by investment earnings on the Liquidity Reserve Account and on other accounts established under the bond agreement. The payment of interest and principal on these bonds started in 2006.

On November 25, 2005, the Corporation issued \$1,204,040 fixed rate bonds. These bonds were part of the \$199,375,348 New York Counties Tobacco Trust V, Tobacco Settlement Pass-Through Bonds, Series 2005 N-184. The Corporation's bonds consist of turbo bonds maturing in the years 2026 through and including 2060. The Corporation's bonds are collateralized by the Tobacco Settlement Revenues acquired from the County and by investment earnings on the Liquidity Reserve Account and on other accounts established under the bond agreement. The projected start date for the payment of these bonds and interest is anticipated to start in the year 2026, when a portion of the August 2005 Series have been paid off.

August 2005 Series - Required Schedule

<u>Year ending</u>	<u>Principal</u>	<u>Interest</u>
Turbo bonds		
2011	\$ 90,000	\$ 509,600
2012	100,000	505,563
2013	105,000	501,206
2014	110,000	496,638
2015	115,000	491,856
2016-2020	780,000	2,371,626
2021-2025	1,060,000	2,164,101
2026-2030	1,350,000	1,875,194
2031-2035	1,730,000	1,492,500
2036-2040	2,220,000	1,001,000
2041-2045	2,850,000	369,750
	10,510,000	11,779,034
Prior years cumulative difference between the scheduled amount and the actual bond principal payment	(430,000)	-

See auditors' report.

GREENE TOBACCO ASSET SECURITIZATION CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

F. Bonds Payable (Continued):

August 2005 Series - Required Schedule (Continued):

Current year excess principal paid between
scheduled amount and the actual bond
payment

	10,080,000	11,779,034
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Capital appreciation bonds

867,040

-

Prior year cumulative interest accrued
on the capital appreciation bonds

255,174

-

Current year interest accrued on the
capital appreciation bonds

75,970

-

	11,278,184	11,779,034
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November 2005 Series

1,836,358

-

Payable at December 31, 2010

\$ 13,114,542

\$ 11,779,034

August 2005 Series - Flexible Schedule (Optional)

<u>Year ending</u>	<u>Principal</u>	<u>Interest</u>
Turbo bonds		
2011	\$ 305,000	\$ 468,906
2012	330,000	455,413
2013	355,000	439,994
2014	375,000	422,681
2015	405,000	404,137
2016-2020	2,805,000	1,655,125
2021-2025	4,120,000	782,000
2025-2026	965,000	24,125
	9,660,000	4,652,381
Prior years cumulative difference between the scheduled amount and the actual bond principal payment	420,000	-
Current year deficit principal paid between scheduled amount and the actual bond payment	-	-
	10,080,000	4,652,381

See auditors' report.

GREENE TOBACCO ASSET SECURITIZATION CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

F. Bonds Payable (Continued):

August 2005 Series - Flexible Schedule (Optional) (Continued):

Capital appreciation bonds

2026-2029	1,198,184	-
	-	-
	11,278,184	4,652,381
November 2005 Series	1,836,358	-
Payable at December 31, 2010	\$ 13,114,542	\$ 4,652,381

It is mandatory for the Corporation to make payments according to the required schedule to meet its obligations to the bond holders; however an optional flexible amortization payment schedule for the 2005 Series allows for the bonds to be paid off in the year 2026. This accelerated payment schedule would reduce total interest expense over the remaining life of the bonds by \$7,126,653 and will be used by the Corporation as funding allows. The corporation has been paying between the required and flexible schedule in the past, but in 2010 the actual collections were less than projected. This has resulted in the corporation making a principal payment of \$85,000 which followed the required schedule, that was less then the flexible schedule of \$265,000. This will affect future payments; however there is no new official schedule to indicate what the future payments of principal and interest will be. The capital appreciation bonds increased \$75,970 from \$1,122,214 to \$1,198,184.

G. Concentration of Credit Risk:

The ability of the Corporation to make debt service payments on the TASC Bonds is contingent upon the receipt of TSRs. TSR payments may vary based on inflation adjustments, volume of cigarette sales adjustments, litigation adjustments from non-settling states, offsets for miscalculated or disputed payments, federal tobacco legislation offsets, litigation releasing party offsets, and offsets for claims over the amounts of the award.

H. Annual Operating Income and Expense Allocation:

A corporate annual operating expense allocation has been established and will be funded by collections received under the Master Settlement Agreement. Future allocations will be adjusted for inflation and capped at that adjusted amount. The allocation received each year is considered administrative income and is used by the Corporation to pay operating expenses. During the year the Corporation received \$37,419, of which \$6,577 was paid directly by M&T for trustee fees. The Corporation used \$30,842 to pay for additional operating expenses.

See auditors' report.

GREENE TOBACCO ASSET SECURITIZATION CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

H. Annual Operating Expense Allocation (Continued)

County of Greene, New York

The Corporation was formed by the County as an instrumentality of the County. The majority of the Corporation's Board of Directors consist of County officials. The Corporation is treated as a blended component unit of the County, as defined by Government Accounting Standards Board (GASB) Technical Bulletin No. 2004-1 because the County appoints the voting majority of the Tobacco Settlement Authority's (TSA's) governing board and the TSA could provide specific financial benefits to the County.

New York Counties Tobacco Trust I

The Corporation is one of seventeen New York counties forming the New York Counties Tobacco Trust I (The Trust). The Trust was established to provide for the consolidation and sale of the seventeen Tobacco Asset Securitization Corporation's (TASC) Bonds. No TASC assets or revenues are available as security or as payment for any other TASC of the Trust.

I. Related Party Transactions:

The Chief Executive Officer and the Chief Financial Officer of the Corporation are also the County Attorney and County Treasurer, respectively, for Greene County.

J. Contingency:

The assets of the Corporation are not available to pay any creditor of Greene County. The bonds issued by the Corporation do not constitute a claim against the full faith, credit and taxing power of the General Fund of Greene County. The ability of the Corporation to meet debt service payments of bonds is contingent upon the receipt of Tobacco Settlement awards.

Currently a number of groups and organizations have initiated lawsuits against the Tobacco Settlement that have passed the test of the lower courts and if these suits are successful they could have a detrimental effect on the current settlement arrangement that initiated the Corporation. These lawsuits, if successful, could have a major impact on the investors (bond holders) ability to continue to collect interest and principal payments. Due to the structure of the settlement and the bond sales, the Corporation, has no liability if the settlement is rescinded in any way by the courts. A more detailed narrative can be found in the Administrative Agent Report issued by Bond Logistix, LLC (BLX) on November 30, 2010.

K. Restatement:

As of December 31, 2009, the Corporation previously stated its obligations on the 2005 Series Bonds for the Trust V at \$1,204,040. Although no payments were originally due until 2026, the Corporation failed to accrete its obligations for interest accruing on the bonds. In order to adjust the obligations as of December 31, 2009 to include the accumulated unpaid interest, the obligation was increased to \$1,700,268. Net assets at December 31, 2009 were reduced and restated accordingly.

See auditors' report.

GREENE TOBACCO ASSET SECURITIZATION CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

L. Subsequent Events:

Subsequent events have been evaluated through March 28, 2011, which is the date of the financial statements were available to be issued.

See auditors' report.

PATTISON, KOSKEY, HOWE & BUCCI, CPAs, P.C.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of
Greene Tobacco Asset Securitization Corporation:

We have audited the accompanying statement of net assets (deficit) and governmental fund balance sheet of Greene Tobacco Asset Securitization Corporation (the Corporation), a blended component unit of Greene County, New York as of and for the year ended December 31, 2010 and its related statement of activities and governmental fund balance for the year then ended and the changes in financial position thereof for the year then ended and have issued our report thereon dated March 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Greene Tobacco Asset Securitization Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinions on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been indentified. However, as describe below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described below to be material weaknesses.

The Corporation's December 31, 2009 net assets were restated to accrete unpaid interest on the 2005 Bond Series. Internal controls were not adequately designed to identify this error in a timely manner.

The Corporation's management has not established procedures for converting the governmental fund financial statements to the full accrual basis in order to prepare the Corporation's year end financial statements in accordance with GASB Statement No. 34.

Management's response: The error in recording the interest on the 2005 Bond Series was an oversight due to the fact that no payments on the obligation are due too far into the future once the 2000 Series Bonds are paid down.


Compliance and Other Matters

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

We noted certain matters that we reported to management of Greene Tobacco Asset Securitization Corporation, in a separate letter dated March 28, 2011

Greene Tobacco Asset Securitization Corporation's response to the findings identified in our audit is described above. We did not audit Greene Tobacco Asset Securitization Corporation's response and, accordingly, we express no opinion on it.

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

 Robert Hosley, Harry
A. Green, CPA's, P.C.

Catskill, New York
March 28, 2011