

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION

Ithaca, New York

FINANCIAL REPORT

**For the Year Ended
December 31, 2020**



TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Tompkins Tobacco Asset
Securitization Corporation
Ithaca, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Tompkins Tobacco Asset Securitization Corporation (the Corporation), a component unit of the County of Tompkins, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Tompkins Tobacco Asset Securitization Corporation as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-3d be presented to supplement the basic financial statements. Such information, 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 4, 2021 on our consideration of the Corporation'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 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 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 the Corporation's internal control over financial reporting and compliance.

Respectfully submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
March 4, 2021

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2020

The following is a discussion and analysis of the Tompkins Tobacco Asset Securitization Corporation's (the Corporation) financial performance for the fiscal year ended December 31, 2020. This section is a summary of the Corporation's financial activities based on currently known facts, decisions, or conditions. It is also based on both the Government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. The Management's Discussion and Analysis (MD&A) section is only an introduction and should be read in conjunction with the Corporation's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Total net position deficit of \$12,489,609 showed an increase in the deficit of \$285,436 in 2020, from \$12,204,173 in 2019. This deficit will continue to grow as long as accreted interest on the 2005 bonds continues to increase more than the repayment of principal on all bonds.
- Total fund balance of \$1,329,741 showed an increase of \$24,357 in 2020, from \$1,305,384 in 2019. This increase is due to the increase in tobacco settlement receipts during the current year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts: MD&A (this section) and the basic financial statements and supplementary information. The basic financial statements present different views of the Corporation.

- The Statement of Net Position and the Statement of Activities columns shown in the financial statements provide short-term and long-term information about the Corporation's overall financial status.
- The Governmental Fund Type columns are fund financial statements that focus on individual parts of the Corporation.

The financial statements also include notes that explain information in the statements and provide more detailed data.

Statement of Net Position and Statement of Activities Columns

The Statement of Net Position and Statement of Activities columns in the basic financial statements report information about the Corporation using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all the Corporation's assets and liabilities. All the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2020

The Statement of Net Position and Statement of Activities columns in the basic financial statements report the Corporation's net position and how net position has changed. Net position is one way to measure the Corporation's financial health. Over time, increases or decreases in the Corporation's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

Governmental Fund Type Columns

The Governmental Fund type columns are accounting devices the Corporation uses to keep track of specific sources of funding and spending. The Corporation's basic services are included in Governmental Funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out; and (2) the balances left at year end that are available for spending. Consequently, the Governmental Fund type columns provide a detailed short-term view of available financial resources to spend on the Corporation's programs in the near future. Because this information does not encompass the additional long-term focus of the Statement of Net Position and Statement of Activities columns, additional information in the notes to the financial statements explains the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE CORPORATION AS A WHOLE

The Corporation's total net position for the fiscal year ended December 31, 2020 decreased by \$285,436. Our analysis below focuses on the net position (*Figure 1*) and changes in net position (*Figure 2*) of the Corporation's Governmental Activities.

Figure 1

<i>Condensed Statement of Net Position</i>	<i>2019</i>	<i>2020</i>	<i>Total Dollar Change 2019-2020</i>
<i>Current Assets</i>	\$ 654,986	\$ 679,929	\$ 24,943
<i>Noncurrent Assets</i>	650,398	649,812	(586)
<i>Total Assets</i>	1,305,384	1,329,741	24,357
<i>Current Liabilities</i>	2,531,617	2,961,788	430,171
<i>Noncurrent Liabilities</i>	10,977,940	10,857,562	(120,378)
<i>Total Liabilities</i>	13,509,557	13,819,350	309,793
<i>Restricted for Debt Service</i>	663,929	654,408	(9,521)
<i>Unrestricted</i>	(12,868,102)	(13,144,017)	(275,915)
<i>Total Net (Deficit)</i>	\$ (12,204,173)	\$ (12,489,609)	\$ (285,436)

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2020

Current assets increased primarily due to an increase in accrued Tobacco Settlement Receipts. The current portion of bonds payable increased based on an underpayment of the scheduled principal payments, resulting in an additional annual shortfall in debt payments. The decrease in noncurrent liabilities is primarily due to the transfer of debt to current bonds payable to make up for the shortfall, offset by the accretion of interest on 2005 TASC bonds.

Our analysis in *Figure 2* considers the operations of the Corporation's activities.

Figure 2

<i>Changes in Net Position</i>	<i>2019</i>	<i>2020</i>	<i>Total Dollar Change 2019 - 2020</i>
REVENUES			
<i>Tobacco Settlement Receipts</i>	\$ 497,727	\$ 635,818	\$ 138,091
<i>Interest Income</i>	18,982	5,173	(13,809)
Total Revenues	516,709	640,991	124,282
EXPENSES			
<i>Insurance Expense</i>	4,273	4,416	143
<i>Professional Fees</i>	25,269	27,462	2,193
<i>Interest Expense</i>	855,341	857,549	2,208
<i>Rent</i>	2,000	2,000	-
<i>Administrative Reimbursement to Tompkins County</i>	30,000	35,000	5,000
Total Expenses	916,883	926,427	9,544
CHANGE IN NET (DEFICIT)	\$ (400,174)	\$ (285,436)	\$ 114,738

Total revenue increased by 24.1% in 2020 compared to 2019 due to an increase in tobacco settlement receipts recognized during the current year. Total expenses increased 1.0%, due to increases in bond interest expense, professional fees, and an increase in transfer to Tompkins County during the year.

FINANCIAL ANALYSIS OF THE CORPORATION'S FUNDS

Figure 3 shows the changes in fund balance for the year. As the Corporation completed the year, its Governmental Fund, as presented in the basic financial statements, reported a fund balance of \$1,329,741 for 2020.

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

Figure 3

<i>Governmental Fund Balances</i>	<i>2019</i>	<i>2020</i>	<i>Total Dollar Change 2019 - 2020</i>
<i>General Fund</i>	\$ 1,305,384	\$ 1,329,741	\$ 24,357
<i>Total</i>	\$ 1,305,384	\$ 1,329,741	\$ 24,357

DEBT ADMINISTRATION

Debt, considered a liability of governmental activities, increased by \$311,227 in 2020, as shown in *Figure 4*. This increase was due to the accretion of interest on the 2005 issue, offset by principal payments on the 2000 issue.

Figure 4

<i>Outstanding Long-Term Debt</i>	<i>2019</i>	<i>2020</i>	<i>Total Dollar Change 2019 - 2020</i>
<i>Bonds Payable, Net</i>	\$ 13,487,995	\$ 13,799,222	\$ 311,227
<i>Total</i>	\$ 13,487,995	\$ 13,799,222	\$ 311,227

Since 2010, the Corporation has not received adequate tobacco settlement receipts to cover the turbo redemption payment on the serial bonds. The shortfall in 2019 was \$300,000, and the shortfall in 2020 was \$250,000, leaving an accumulated \$1,420,000 underpayment. This does not represent a default, as turbo redemption payments are not required payments. The Corporation is allowed to make up the shortfall if funds are available.

Additional information and the maturities and terms of the Corporation's outstanding debt can be found in the notes to these financial statements.

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2020

FACTORS BEARING ON THE CORPORATION'S FUTURE

- The Corporation does not anticipate any significant changes in funding the Corporation. Annual tobacco settlement receipts vary from year to year, with dips in some years and increases in other years.

The tobacco settlement receipts in 2020 came in at 106% of original projections; the tobacco settlement receipts in 2019 came in at 89% of original projections; the receipts for 2018 were 98% of original projections; and the receipts for 2017 were 61% of original projections.

The following presents the tobacco settlement payments, both budgeted and actual, for the last five fiscal years:

	<u>BUDGET</u>	<u>ACTUAL</u>
2016 Tobacco settlement payment	\$636,048	\$698,287
2017 Tobacco settlement payment	\$758,938	\$460,450
2018 Tobacco settlement payment	\$564,118	\$552,761
2019 Tobacco settlement payment	\$561,279	\$497,727
2020 Tobacco settlement payment	\$600,818	\$635,818

The Corporation anticipates sufficient receipts to cover the required fixed amortization payments.

- For 2021, the Corporation has budgeted a transfer of \$33,660 to Tompkins County for administrative services.

CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Corporation's citizens, customers, investors, and creditors with a general overview of the Corporation's finances and to demonstrate the Corporation's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tompkins County at 125 East Court Street, Ithaca, NY 14850.

***TOMPKINS TOBACCO ASSET
SECURITIZATION CORPORATION***

**GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION
DECEMBER 31, 2020**

	<u>Governmental Fund Type General</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 112,350	\$	\$ 112,350
Restricted Cash and Cash Equivalents, Current	4,596		4,596
Accrued Tobacco Settlement Receipts	559,000		559,000
Prepaid Expenses	3,983		3,983
Total Current Assets	<u>679,929</u>	<u>-</u>	<u>679,929</u>
Noncurrent Assets			
Restricted Investments, Noncurrent	649,812		649,812
Total Noncurrent Assets	<u>649,812</u>	<u>-</u>	<u>649,812</u>
Total Assets	<u>\$ 1,329,741</u>	<u>\$ -</u>	<u>1,329,741</u>
LIABILITIES			
Current Liabilities			
Accrued Interest Payable	\$	\$ 20,128	20,128
Current Portion of Bonds Payable, Net		2,941,660	2,941,660
Total Current Liabilities	<u>-</u>	<u>2,961,788</u>	<u>2,961,788</u>
Noncurrent Liabilities			
Accreted Interest on Series 2005 Bonds		6,326,073	6,326,073
Bonds Payable, Net		4,531,489	4,531,489
Total Noncurrent Liabilities		<u>10,857,562</u>	<u>10,857,562</u>
Total Liabilities	<u>-</u>	<u>13,819,350</u>	<u>13,819,350</u>
FUND BALANCE/NET POSITION			
Fund Balance			
Nonspendable	3,983	(3,983)	
Restricted for Debt Service	654,408	(654,408)	
Unassigned	671,350	(671,350)	
Total Fund Balance	<u>1,329,741</u>	<u>(1,329,741)</u>	<u>-</u>
Net Position			
Restricted for Debt Service		654,408	654,408
Unrestricted		(13,144,017)	(13,144,017)
Total Net (Deficit)	<u>-</u>	<u>(12,489,609)</u>	<u>(12,489,609)</u>
Total Fund Balance/Net (Deficit)	<u>\$ 1,329,741</u>	<u>\$ (13,819,350)</u>	<u>\$(12,489,609)</u>

See Notes to Financial Statements

***TOMPKINS TOBACCO ASSET
SECURITIZATION CORPORATION***

**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Governmental Fund Type General</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenue			
Tobacco Settlement Receipts	\$ 635,818	\$	\$ 635,818
Interest Income	5,173		5,173
Total Revenue	<u>640,991</u>	<u>-</u>	<u>640,991</u>
Expenditures/Expenses			
Insurance Expense	4,416		4,416
Professional Fees	27,462		27,462
Debt Service	547,756	309,793	857,549
Rent	2,000		2,000
Administrative Reimbursement to Tompkins County	35,000		35,000
Total Expenditures/Expenses	<u>616,634</u>	<u>309,793</u>	<u>926,427</u>
Excess of Revenues Over (Expenditures/Expenses)	<u>24,357</u>	<u>(309,793)</u>	<u>(285,436)</u>
Fund Balance/Net (Deficit), January 1,	<u>1,305,384</u>	<u>(13,509,557)</u>	<u>(12,204,173)</u>
Fund Balance/Net (Deficit), December 31,	<u>\$ 1,329,741</u>	<u>\$(13,819,350)</u>	<u>\$ (12,489,609)</u>

See Notes to Financial Statements

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

***Note 1* Summary of Significant Accounting Policies**

The financial statements of the Tompkins Tobacco Asset Securitization Corporation (the Corporation) have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing U.S. GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant of the Corporation's accounting policies are described below.

Reporting Entity

The Tompkins Tobacco Asset Securitization Corporation (TASC) is a component unit of the County of Tompkins. The Tompkins TASC was organized as a local development corporation pursuant to §1411 of the Not-For-Profit Corporation Law of the State of New York. The Tompkins TASC is one of 17 New York County TASCs created in 2000 for the purpose of purchasing tobacco settlement rights from each respective county with the net proceeds of bonds issued to the New York Counties Tobacco Trust I (NYCTTI). The trust in turn issued \$227,130,000 aggregate principal amount Tobacco Settlement Pass-Through Bonds - Series 2000, dated December 7, 2000. The trust bonds represent a direct, pass-through interest in the corresponding TASC bonds. All payments of the TASC bonds will be made directly by the trust with the future proceeds of the Tobacco Settlement Revenues (TSRs). Tompkins County securitized 50% of its future TSRs; therefore only 50% of the future TSRs are obligated to the retirement of debt.

The Tompkins TASC, along with 23 other TASCs, created a trust known as the New York Counties Tobacco Trust V (NYCTTV) in order to issue \$199,375,348 aggregate principal amount of Tobacco Settlement Pass-Through Bonds (Series 2005 NYCTT Bonds). Series 2005 NYCTT Bonds, issued on November 29, 2005, represent a direct, pass-through interest in corresponding TASC bonds held by the trust and are subordinate to the prior bonds issued. The Series 2005 TASC bonds are subject to the rights of holders of the prior bonds, payable solely from, and secured solely by, the collections, funds, and accounts pledged by the respective TASC Indenture. The collections of Tompkins TASC will be comprised of 50% of the TSRs remaining after payment of the prior bonds and investment earnings on funds and accounts established under the TASC's Indenture. The Tompkins TASC Series 2005 TASC Bonds are also payable from certain amounts released from Liquidity Reserve Accounts upon retirement of the prior bonds and amounts released from Trapping Accounts.

There are no scheduled principal and interest payments on the Series 2005 bonds other than on their respective maturity dates. The bonds are subject to redemption prior to maturity through turbo redemption payments made from surplus collections on deposit in the turbo redemption account, as provided in the bond indenture. Redemption of the Series 2005 bonds will be in order of maturity date at a price equal to their accreted value.

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

***Note 1* Summary of Significant Accounting Policies - Continued**

Reporting Entity - Continued

The Tompkins TASC membership comprises four directors appointed by the Chair of the Tompkins County Legislature. Currently, one director is the Chair of the County Legislature, one is the County Administrator, one is the County Finance Director, and one has no affiliation with the County and serves as an Independent Director. The Corporation is deemed to be a component unit of Tompkins County and is presented in the annual financial statements of Tompkins County as a blended component unit.

Basis of Presentation

The Tompkins Tobacco Asset Securitization Corporation's basic financial statements include columns for Governmental Fund types prepared on the modified accrual basis of accounting (Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance), and columns for Governmental Activities prepared on the accrual basis of accounting (Statement of Net Position and Statement of Activities.)

The Statement of Net Position and the Statement of Activities columns present summaries of activities for the Corporation. The focus of these columns is more on the sustainability of the Corporation as an entity and the change in the Corporation's net position from the current year's activities.

Fund accounting is designed to demonstrate legal compliance and aid financial management by segregating transactions related to certain government functions or activities.

The Tompkins TASC records its transactions in the fund types described below.

Fund Categories

Most governmental functions are financed through Governmental Fund Types. The acquisition, use, and balances of expendable financial resources, and the related liabilities, are accounted for through Governmental Funds. The measurement focus of the Governmental Funds is based upon determination of financial position and changes in financial position. The following is the Tompkins TASC Governmental Fund Type:

- General Fund - Principal operating fund including operations which are not required to be recorded in other funds.

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

***Note 1* Summary of Significant Accounting Policies - Continued**

Basis of Accounting/Measurement Focus

Basis of accounting refers to when revenues and expenditures and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured, such as expenditures or expenses.

The Statement of Net Position and the Statement of Activities columns are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the Corporation gives or receives value without directly receiving or giving equal value in exchange, include grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Governmental Fund statement columns are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Corporation considers all revenues reported in the Governmental Funds to be available if the revenues are collected within six months after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims, and judgments, which are recognized as expenditures to the extent they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Equity Classifications

- Restricted Net Position - Consists of resources with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- Unrestricted Net Position - Consists of all other resources that do not meet the definition of "restricted."

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

***Note 1* Summary of Significant Accounting Policies - Continued**

Equity Classification - Governmental Fund Financial Statements

The Corporation reports its fund balance in accordance with GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." Statement No. 54 classifies fund balance to reflect spending constraints on resources rather than availability for appropriation. This approach is intended to provide users more consistent and understandable information about a fund's net resources.

Constraints are broken into five classifications: nonspendable, restricted, committed, assigned, and unassigned. These classifications serve to inform readers of the financial statements of the extent to which the government is bound to honor any constraints on specific purposes for which resources in a fund can be spent.

- Nonspendable - Consists of assets inherently nonspendable in the current period either because of their form or because they must be maintained intact; including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and endowment principal.
- Restricted - Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation. Most of the Corporation's legally adopted reserves are reported here.
- Committed - Consists of amounts subject to a purpose constraint imposed by formal action of the government's highest level of decision-making authority prior to the end of the fiscal year and requires the same level of formal action to remove said constraint. There are no committed assets at year end.
- Assigned - Consists of amounts subject to a purpose constraint representing an intended use established by the government's highest level of decision-making authority or their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. There are no assigned assets at year end.
- Unassigned - Represents the residual classification of the government's General Fund and could report a surplus or deficit.

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

***Note 1* Summary of Significant Accounting Policies - Continued**

Equity Classification - Governmental Fund Financial Statements - Continued

The Board of the Corporation has not adopted any resolutions to commit or assign fund balance. The Corporation applies expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance, in that order.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the financial statements, the Corporation considers all short-term investments with an original maturity of three months or less, to be cash equivalents.

Annual Budget

While the Board approves an annual budget, it is not considered a legally adopted budget and, therefore, is not required to be reported under U.S. GAAP.

***Note 2* Explanation of Certain Differences Between Governmental Fund Type Columns, the Statement of Net Position, and Statement of Activities Columns**

Due to the differences in the measurement focus and basis of accounting used in the Governmental Fund column and the Statement of Net Position and Statement of Activities columns, certain financial transactions are treated differently. The differences result primarily from the economic focus of the Statement of Activities compared with the current financial resources focus of the Governmental Funds.

Total Fund Balance of Governmental Funds vs. Net Position of Governmental Activities

Total fund balance of the Corporation's Governmental Fund differs from "net position" of Governmental Activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the Governmental Fund Balance Sheet.

***TOMPKINS TOBACCO ASSET
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**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

Note 2 **Explanation of Certain Differences Between Governmental Fund Type Columns, the Statement of Net Position, and Statement of Activities Columns - Continued**

Total Fund Balance of Governmental Funds vs. Net Position of Governmental Activities - Continued

Total Governmental Fund Balances		\$ 1,329,741
<p>Long-term liabilities are reported in the Statement of Net Position, but not in the Governmental Fund, because they are not due and payable in the current period.</p>		
Bonds Payable	\$ (7,564,440)	
Less: Unamortized Discount	91,291	(7,473,149)
<p>Interest on long-term debt is accrued in the Statement of Net Position but not in the Governmental Fund.</p>		
Accrued Interest Payable	\$ (20,128)	
Accreted Interest on Series 2005 Bonds	(6,326,073)	(6,346,201)
Total Net (Deficit) as Reported in the Statement of Net Position		\$ (12,489,609)

***TOMPKINS TOBACCO ASSET
SECURITIZATION CORPORATION***

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

Note 2 **Explanation of Certain Differences Between Governmental Fund Type Columns, the Statement of Net Position, and Statement of Activities Columns - Continued**

Total Fund Balance of Governmental Funds vs. Net Position of Governmental Activities - Continued

Differences between the Governmental Fund Type column in the Statement of Revenues, Expenditures, and Changes in Fund Balance and the Statement of Activities column are as follows:

Total Expenditures and Other Financing Uses as Reported in the Governmental Fund Type Column	\$ 616,634
Interest on long-term debt in the Statement of Activities differs from the amount reported in the Governmental Funds because interest is recorded as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The decrease in interest reported in the Statement of Activities is the result of a decrease in accrued interest on bonds payable.	(1,434)
Amortization of the bond discount is recorded as an expense in the Statement of Activities. However, this expenditure is recorded when incurred, rather than amortized, in the Governmental Fund.	13,952
Repayment of bond principal is an expenditure in the Governmental Fund, but it reduces long-term liabilities in the Statement of Net Position, and does not affect the Statement of Activities.	(280,000)
Interest is accreted on 2005 series bonds but is not paid until maturity.	<u>577,275</u>
Total Expenses of Governmental Activities on Statement of Activities	<u><u>\$ 926,427</u></u>

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the Governmental Fund statements, whereas interest payments are recorded in the Statements of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

There were no differences in revenue in 2020.

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

***Note 3* Cash and Investments**

The Corporation's investment policies are governed by state statutes. In addition, the Corporation follows its written investment policy. The Corporation's monies must be deposited in FDIC-insured commercial banks or trust companies located within the state. The Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

The written investment policy requires repurchase agreements to be purchased from banks located within the state and that underlying securities must be obligations of the federal government. Underlying securities must have a market value of at least the cost of the repurchase agreements.

Total financial institution (bank) balances, including investments, at December 31, 2020 were \$769,476. Restricted cash and investments total \$654,408 and represent amounts held in a mandated TASC liquidity reserve as required (\$649,812), which is held in trust and amounts in the bond trapping account (\$4,066) and bond fund-debt service account (\$530). The liquidity reserve is comprised of U.S. Treasury Bills with an original maturity of one year, maturing on May 31, 2021, with interest payable at 1.50%.

The Corporation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Corporation's investments in U.S. Treasury Bills are categorized as Level 2.

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

Note 4 Long-Term Debt

The following summary is the Corporation's long-term debt for the year ended December 31, 2020:

<u>Description of Issue</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Outstanding Balance</u>
Tobacco Settlement Pass-Through Bonds 2000	12/01/2000	5.25%-6.30%	06/01/2025	\$ 3,930,000
Less: Unamortized Bond Discount				(52,662)
Carrying Value of Series 2000 Bonds				<u>3,877,338</u>
Tobacco Settlement Pass-Through Bonds 2005	11/01/2005	6.00%-7.85%	06/01/2060	3,634,440
Less: Unamortized Bond Discount				(38,629)
Add: Interest Accretion				6,326,073
Carrying Value of Series 2005 Bonds				<u>9,921,884</u>
Total Debt Outstanding				<u>\$ 13,799,222</u>

Interest on long-term debt is as follows:

Interest Paid	\$ 267,756
Less: Interest Accrued in the Prior Year	(21,562)
Add: Interest Accrued in the Current Year	20,128
Change in Accreted Interest	577,275
Amortization of Bond Discount	<u>13,952</u>
Total	<u>\$ 857,549</u>

Interest paid on the serial bonds varies from year to year, in accordance with the interest rates specified in the bond agreements.

Long-term liability balances and activity for the year are summarized below:

	<u>Balance December 31, 2019</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance December 31, 2020</u>	<u>Amounts Due Within One Year</u>
Bonds Payable	\$ 7,844,440	\$	\$ (280,000)	\$ 7,564,440	\$ 2,955,612
Less: Bond Discount	(105,243)		13,952	(91,291)	(13,952)
Add: Interest Accretion	5,748,798	577,275		6,326,073	
Total	<u>\$ 13,487,995</u>	<u>\$ 577,275</u>	<u>\$ (266,048)</u>	<u>\$ 13,799,222</u>	<u>\$ 2,941,660</u>

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

Note 4 Long-Term Debt - Continued

The following is a summary of the maturity of long-term indebtedness on the Series 2000 bonds:

<u>Year</u>	<u>Series 2000 Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,975,000	\$ 147,903	\$ 2,122,903
2022	595,000	109,809	704,809
2023	625,000	69,397	694,397
2024	660,000	26,831	686,831
2025	75,000	2,484	77,484
Total	<u>\$ 3,930,000</u>	<u>\$ 356,424</u>	<u>\$ 4,286,424</u>

From 2010 through 2015, the Corporation had not received adequate tobacco settlement receipts to cover the turbo redemption payment on the serial bonds; shortfalls were \$180,000 in 2015. In 2016, the Corporation made principal payments of \$775,000, of which \$420,000 was used to reduce the accumulated deficit. The cumulative underpayment as of December 31, 2020 is \$1,420,000, which is classified as a current liability. This does not represent a default, as turbo redemption payments are not required payments. The Corporation is allowed to make up the shortfall if the funds are available.

The Series 2005 bonds are as follows:

<u>Description of Issue</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Principal</u>
Series 2005 S1 Capital Appreciation Bond	11/01/2005	6.00%	06/01/2038	\$ 1,147,462
Series 2005 S2 Capital Appreciation Bond	11/01/2005	6.10%	06/01/2050	753,624
Series 2005 S3 Capital Appreciation Bond	11/01/2005	6.85%	06/01/2055	448,938
Series 2005 S4B Capital Appreciation Bond	11/01/2005	7.85%	06/01/2060	1,284,416
Total				<u>\$ 3,634,440</u>

The Series 2005 Bonds are capital appreciation bonds, upon which the investment return on the initial principal amount is reinvested at a compounded rate until maturity. There are no scheduled principal and interest payments on the Series 2005 bonds other than on their respective maturity dates, at which time a single payment is made representing both the initial principal amount and the total investment return.

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

Note 4 Long-Term Debt - Continued

However, the Series 2005 Bonds are subject to redemption prior to maturity through turbo redemption payments which are to be made from surplus collections on deposit, as provided in the Bond Indenture. The amounts and timing of the turbo redemption payments are based on projections of future tobacco settlement receipts less amounts needed to satisfy debt service on the Series 2000 bonds and to satisfy operating requirements. Failure to make such turbo redemption payments will not, however, constitute an event of default.

The projected turbo redemption payments are presented in the following table. It was expected that the Corporation would begin making payments based on this amortization beginning in 2015. However, no payments on this debt have been made. The current portion represents scheduled payments for 2015-2021.

	Series 2005 Bonds		
Year	Projected Principal	Projected Interest	Total Debt Service
2021	\$ 980,612	\$ 1,129,736	\$ 2,110,348
2022	152,214	251,649	403,863
2023	14,637	277,573	292,210
2024	71,363	288,073	359,436
2025	483,684	1,078,065	1,561,749
2026-2030	1,000,954	3,833,170	4,834,124
2031-2035	619,648	4,511,207	5,130,855
2036-2039	311,328	3,201,722	3,513,050
Estimated Amount Due at Maturity	<u>\$ 3,634,440</u>	<u>\$ 14,571,195</u>	<u>\$ 18,205,635</u>

***TOMPKINS TOBACCO ASSET
SECURITIZATION CORPORATION***

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

Note 4 **Long-Term Debt - Continued**

The following is a summary of the amount of accretion on the Series 2005 capital appreciation bonds if held to maturity:

Year	Amount of Yearly Accretion
2021	\$ 595,356
2022	614,900
2023	634,365
2024	655,363
2025	636,716
2026-2030	2,825,922
2031-2035	1,867,134
2036-2039	415,366
Future Total Accretion	8,245,122
Cumulative Accreted Interest at December 31, 2020	6,326,073
Principal	3,634,440
Expected Total Debt Service	\$ 18,205,635

**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***

Board of Directors
Tompkins Tobacco Asset
Securitization Corporation
Ithaca, New York

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 the major fund, of the Tompkins Tobacco Asset Securitization Corporation (the Corporation), a component unit of the County of Tompkins, State of New York as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated March 4, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the 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 the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation'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 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*.

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 result 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 the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
March 4, 2021