

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION

Ithaca, New York

FINANCIAL REPORT

**For the Year Ended
December 31, 2021**



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 Audit of the Financial Statements

Opinion

We have audited the financial statements 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, 2021, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2021, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis for Opinion

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* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation, 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, 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 the Corporation'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 opinion. 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 *Government Auditing Standards* 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 *Government Auditing Standards*, 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 the Corporation'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 the Corporation'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

U.S. GAAP 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 GAAS, 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 10, 2022, 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 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 the Corporation's 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 Corporation's internal control over financial reporting and compliance.

Respectfully submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
March 10, 2022

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2021

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, 2021. 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 \$12,674,422 showed an increase in the deficit of \$184,813 in 2021, from \$12,489,609 in 2020. 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 General Fund balance of \$1,417,519 showed an increase of \$87,778 in 2021, from \$1,329,741 in 2020. 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, 2021

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, 2021 decreased by \$184,813. 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>2021</i>	<i>2020</i>	<i>Total Dollar Change</i>
<i>Current Assets</i>	\$ 768,058	\$ 679,929	\$ 88,129
<i>Noncurrent Assets</i>	649,461	649,812	(351)
<i>Total Assets</i>	1,417,519	1,329,741	87,778
<i>Current Liabilities</i>	3,372,286	2,961,788	410,498
<i>Noncurrent Liabilities</i>	10,719,655	10,857,562	(137,907)
<i>Total Liabilities</i>	14,091,941	13,819,350	272,591
<i>Restricted for Debt Service</i>	651,153	654,408	(3,255)
<i>Unrestricted</i>	(13,325,575)	(13,144,017)	(181,558)
<i>Total Net (Deficit)</i>	\$ (12,674,422)	\$ (12,489,609)	\$ (184,813)

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2021

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, 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>2021</i>	<i>2020</i>	<i>Total Dollar Change</i>
REVENUES			
<i>Tobacco Settlement Receipts</i>	\$ 740,752	\$ 635,818	\$ 104,934
<i>Interest Income</i>	90	5,173	(5,083)
Total Revenues	740,842	640,991	99,851
EXPENSES			
<i>Insurance Expense</i>	4,804	4,416	388
<i>Professional Fees</i>	26,765	27,462	(697)
<i>Interest Expense</i>	855,361	857,549	(2,188)
<i>Rent</i>	2,000	2,000	-
<i>Filing Fees</i>	117	-	117
<i>Administrative Reimbursement to Tompkins County</i>	36,608	35,000	1,608
Total Expenses	925,655	926,427	(772)
CHANGE IN NET (DEFICIT)	\$ (184,813)	\$ (285,436)	\$ 100,623

Total revenue increased by 15.6% in 2021, compared to 2020, due to an increase in tobacco settlement receipts recognized during the current year. Total expenses decreased 0.01%, due to decreases in bond interest expense, professional fees, and an increase in administrative reimbursement 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 \$1,417,519 for 2021.

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

Figure 3

<i>Governmental Fund Balances</i>	<i>2021</i>	<i>2020</i>	<i>Total Dollar Change</i>
<i>General Fund</i>	\$ 1,417,519	\$ 1,329,741	\$ 87,778
<i>Total</i>	\$ 1,417,519	\$ 1,329,741	\$ 87,778

DEBT ADMINISTRATION

Debt, considered a liability of governmental activities, increased by \$274,307 in 2021, 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>2021</i>	<i>2020</i>	<i>Total Dollar Change</i>
<i>Bonds Payable, Net</i>	\$ 14,073,529	\$ 13,799,222	\$ 274,307
<i>Total</i>	\$ 14,073,529	\$ 13,799,222	\$ 274,307

Since 2010, the Corporation has not received adequate tobacco settlement receipts to cover the turbo redemption payment on the serial bonds. The shortfall in 2020 was \$250,000, and the shortfall in 2021 was \$220,000, leaving an accumulated \$1,640,000 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, 2021**

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 2021 came in at 114% of original projections; 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 six 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
2021 Tobacco settlement payment	\$649,752	\$740,752

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

- For 2022, the Corporation has budgeted a transfer of \$34,651 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, 2021

	<u>Governmental Fund Type General</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 112,260	\$ -	\$ 112,260
Restricted Cash and Cash Equivalents, Current	1,692	-	1,692
Accrued Tobacco Settlement Receipts	650,000	-	650,000
Prepaid Expenses	4,106	-	4,106
Total Current Assets	<u>768,058</u>	<u>-</u>	<u>768,058</u>
Noncurrent Assets			
Restricted Investments, Noncurrent	649,461	-	649,461
Total Noncurrent Assets	<u>649,461</u>	<u>-</u>	<u>649,461</u>
Total Assets	<u>\$ 1,417,519</u>	<u>-</u>	<u>1,417,519</u>
LIABILITIES			
Current Liabilities			
Accrued Interest Payable	\$ -	18,412	18,412
Current Portion of Bonds Payable, Net	-	3,353,874	3,353,874
Total Current Liabilities	<u>-</u>	<u>3,372,286</u>	<u>3,372,286</u>
Noncurrent Liabilities			
Accreted Interest on Series 2005 Bonds	-	6,921,429	6,921,429
Bonds Payable, Net	-	3,798,226	3,798,226
Total Noncurrent Liabilities	<u>-</u>	<u>10,719,655</u>	<u>10,719,655</u>
Total Liabilities	<u>-</u>	<u>14,091,941</u>	<u>14,091,941</u>
FUND BALANCE/NET POSITION			
Fund Balance			
Nonspendable	4,106	(4,106)	-
Restricted for Debt Service	651,153	(651,153)	-
Unassigned	762,260	(762,260)	-
Total Fund Balance	<u>1,417,519</u>	<u>(1,417,519)</u>	<u>-</u>
Net Position			
Restricted for Debt Service	-	651,153	651,153
Unrestricted	-	(13,325,575)	(13,325,575)
Total Net (Deficit)	<u>-</u>	<u>(12,674,422)</u>	<u>(12,674,422)</u>
Total Fund Balance/Net (Deficit)	<u>\$ 1,417,519</u>	<u>\$ (14,091,941)</u>	<u>\$ (12,674,422)</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, 2021**

	Governmental		Statement of
	Fund Type		
	General	Adjustments	
Revenue			
Tobacco Settlement Receipts	\$ 740,752	\$ -	\$ 740,752
Interest Income	90	-	90
Total Revenue	740,842	-	740,842
Expenditures/Expenses			
Insurance Expense	4,804	-	4,804
Professional Fees	26,765	-	26,765
Debt Service	582,770	272,591	855,361
Rent	2,000	-	2,000
Filing Fees	117	-	117
Administrative Reimbursement to Tompkins County	36,608	-	36,608
Total Expenditures/Expenses	653,064	272,591	925,655
Excess of Revenues Over (Expenditures/Expenses)	87,778	(272,591)	(184,813)
Fund Balance/Net (Deficit), January 1,	1,329,741	(13,819,350)	(12,489,609)
Fund Balance/Net (Deficit), December 31,	\$ 1,417,519	\$ (14,091,941)	\$ (12,674,422)

See Notes to Financial Statements

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

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 (the Corporation) is a component unit of the County of Tompkins. The Corporation was organized as a local development corporation pursuant to §1411 of the Not-For-Profit Corporation Law of New York State. 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 Corporation, 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, 2021

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

Reporting Entity - Continued

The Corporation's 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 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 Corporation 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 Corporation's 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, 2021

***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, 2021

***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, 2021

***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
SECURITIZATION CORPORATION***

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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 \$ 1,417,519

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.

Bonds Payable	\$ (7,229,440)	
Less: Unamortized Discount	<u>77,340</u>	(7,152,100)

Interest on long-term debt is accrued in the Statement of Net Position but not in the Governmental Fund.

Accrued Interest Payable	\$ (18,412)	
Accreted Interest on Series 2005 Bonds	<u>(6,921,429)</u>	<u>(6,939,841)</u>

Total Net (Deficit) as Reported in the Statement of Net Position **\$ (12,674,422)**

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

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

Changes in Fund Balance vs. Changes in Net Position

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	\$ 653,064
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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.	(1,716)
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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.	13,951
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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.	(335,000)
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Interest is accreted on 2005 series bonds but is not paid until maturity.	<u>595,356</u>
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Total Expenses of Governmental Activities on Statement of Activities	<u><u>\$ 925,655</u></u>
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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 2021.

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

***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, 2021 were \$763,413. Restricted cash and investments total \$651,153 and represent amounts held in a mandated TASC liquidity reserve as required (\$649,461), which is held in trust and amounts in the bond trapping account (\$1,596) and bond fund-debt service account (\$96). The liquidity reserve is comprised of U.S. Treasury Bills with an original maturity of one year, maturing on May 31, 2022, 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, 2021

Note 4 Long-Term Debt

The following summary is the Corporation's long-term debt for the year ended December 31, 2021:

<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	\$ 3,595,000
Less: Unamortized Bond Discount				(41,953)
Carrying Value of Series 2000 Bonds				<u>3,553,047</u>
Tobacco Settlement Pass-Through Bonds 2005	11/01/2005	6.00%-7.85%	06/01/2060	3,634,440
Less: Unamortized Bond Discount				(35,387)
Add: Interest Accretion				6,921,429
Carrying Value of Series 2005 Bonds				<u>10,520,482</u>
Total Debt Outstanding				<u>\$ 14,073,529</u>

Interest on long-term debt is as follows:

Interest Paid	\$ 247,770
Less: Interest Accrued in the Prior Year	(20,128)
Add: Interest Accrued in the Current Year	18,412
Change in Accreted Interest	595,356
Amortization of Bond Discount	<u>13,951</u>
Total	<u>\$ 855,361</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, 2020</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance December 31, 2021</u>	<u>Amounts Due Within One Year</u>
Bonds Payable	\$ 7,564,440	\$ -	\$ (335,000)	\$ 7,229,440	\$ 3,367,826
Less: Bond Discount	(91,291)	-	13,951	(77,340)	(13,952)
Add: Interest Accretion	6,326,073	595,356	-	6,921,429	
Total	<u>\$ 13,799,222</u>	<u>\$ 595,356</u>	<u>\$ (321,049)</u>	<u>\$ 14,073,529</u>	<u>\$ 3,353,874</u>

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

Note 4 Long-Term Debt - Continued

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

Year	Series 2000 Bonds		
	Principal	Interest	Total
2022	\$ 2,235,000	\$ 109,809	\$ 2,344,809
2023	625,000	69,397	694,397
2024	660,000	26,831	686,831
2025	75,000	2,484	77,484
Total	\$ 3,595,000	\$ 208,521	\$ 3,803,521

In previous years, the Corporation had not received adequate tobacco settlement receipts to cover the turbo redemption payment on the serial bonds. The cumulative underpayment as of December 31, 2021 is \$1,640,000, 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:

Description of Issue	Issue Date	Interest Rate	Final Maturity	Principal
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				\$ 3,634,440

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, 2021

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 2015-2022.

<u>Year</u>	<u>Series 2005 Bonds</u>		
	<u>Projected Principal</u>	<u>Projected Interest</u>	<u>Total Debt Service</u>
2022	\$ 1,132,826	\$ 1,381,385	\$ 2,514,211
2023	14,637	277,573	292,210
2024	71,363	288,073	359,436
2025	483,684	1,078,065	1,561,749
2026	265,026	680,340	945,366
2027-2031	877,304	4,019,228	4,896,532
2032-2036	579,040	4,599,626	5,178,666
2037-2039	210,560	2,246,905	2,457,465
Estimated Amount Due at Maturity	<u><u>\$ 3,634,440</u></u>	<u><u>\$ 14,571,195</u></u>	<u><u>\$ 18,205,635</u></u>

***TOMPKINS TOBACCO ASSET
SECURITIZATION CORPORATION***

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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
2022	\$ 614,900
2023	634,365
2024	655,363
2025	636,716
2026	609,667
2027-2031	2,684,767
2032-2036	1,604,218
2037-2039	209,770
Future Total Accretion	7,649,766
Cumulative Accreted Interest at December 31, 2021	6,921,429
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 of the Tompkins Tobacco Asset Securitization Corporation (the Corporation) as of and for the year ended December 31, 2021, 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 10, 2022.

Report on 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) 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified no certain deficiencies in internal control.

Report on 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 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 the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
March 10, 2022