

# **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.

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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*

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

# **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>	<b>2021</b>	<b>2020</b>	<i>Total Dollar Change</i>
<b>REVENUES</b>			
<i>Tobacco Settlement Receipts</i>	\$ 740,752	\$ 635,818	\$ 104,934
<i>Interest Income</i>	90	5,173	(5,083)
<b>Total Revenues</b>	<b>740,842</b>	<b>640,991</b>	<b>99,851</b>
<b>EXPENSES</b>			
<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
<b>Total Expenses</b>	<b>925,655</b>	<b>926,427</b>	<b>(772)</b>
<b>CHANGE IN NET (DEFICIT)</b>	<b>\$ (184,813)</b>	<b>\$ (285,436)</b>	<b>\$ 100,623</b>

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
<b><i>Total</i></b>	<b>\$ 1,417,519</b>	<b>\$ 1,329,741</b>	<b>\$ 87,778</b>

### **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
<b><i>Total</i></b>	<b>\$ 14,073,529</b>	<b>\$ 13,799,222</b>	<b>\$ 274,307</b>

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.

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### **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.