

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2022

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, 2022. 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 \$13,211,409 showed an increase in the deficit of \$536,987 in 2022, from \$12,674,422 in 2021. 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 \$1,434,004 showed an increase of \$16,485 in 2022, from \$1,417,519 in 2021. This increase is due to tobacco settlement receipts during the current year exceeding debt service and other expenditures.

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, 2022 decreased by \$536,987. 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>2022</i>	<i>2021</i>	<i>Total Dollar Change</i>
<i>Current Assets</i>	\$ 781,889	\$ 768,058	\$ 13,831
<i>Noncurrent Assets</i>	652,115	649,461	2,654
<i>Total Assets</i>	1,434,004	1,417,519	16,485
<i>Current Liabilities</i>	3,645,054	3,372,286	272,768
<i>Noncurrent Liabilities</i>	11,000,359	10,719,655	280,704
<i>Total Liabilities</i>	14,645,413	14,091,941	553,472
<i>Restricted for Debt Service</i>	661,622	651,153	10,469
<i>Unrestricted</i>	(13,873,031)	(13,325,575)	(547,456)
<i>Total Net (Deficit)</i>	\$ (13,211,409)	\$ (12,674,422)	\$ (536,987)

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Current assets increased primarily due to an increase in cash balance. 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 increase in noncurrent liabilities is primarily due to accretion of interest on 2005 TASC bonds, offset by the transfer of debt to current bonds payable.

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

Figure 2

<i>Changes in Net Position</i>	<i>2022</i>	<i>2021</i>	<i>Total Dollar Change</i>
REVENUES			
<i>Tobacco Settlement Receipts</i>	\$ 666,408	\$ 740,752	\$ (74,344)
<i>Interest Income</i>	9,476	90	9,386
Total Revenues	675,884	740,842	(64,958)
EXPENSES			
<i>Insurance Expense</i>	4,963	4,804	159
<i>Professional Fees</i>	27,867	26,765	1,102
<i>Interest Expense</i>	1,143,490	855,361	288,129
<i>Rent</i>	2,000	2,000	-
<i>Filing Fees</i>	-	117	(117)
<i>Administrative Reimbursement to Tompkins County</i>	34,551	36,608	(2,057)
Total Expenses	1,212,871	925,655	287,216
CHANGE IN NET (DEFICIT)	\$ (536,987)	\$ (184,813)	\$ (352,174)

Total revenue decreased by 8.8% in 2022, compared to 2021, due to a decrease in tobacco settlement receipts recognized during the current year. Total expenses increased 31.0%, due to increases in accreted interest.

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 \$1,434,004 for 2022.

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Figure 3

<i>Governmental Fund Balances</i>	<i>2022</i>	<i>2021</i>	<i>Total Dollar Change</i>
<i>General Fund</i>	\$ 1,434,004	\$ 1,417,519	\$ 16,485
<i>Total</i>	\$ 1,434,004	\$ 1,417,519	\$ 16,485

DEBT ADMINISTRATION

Debt, considered a liability of governmental activities, increased by \$555,341 in 2022, 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>2022</i>	<i>2021</i>	<i>Total Dollar Change</i>
<i>Bonds Payable, Net</i>	\$ 14,628,870	\$ 14,073,529	\$ 555,341
<i>Total</i>	\$ 14,628,870	\$ 14,073,529	\$ 555,341

Since 2010, the Corporation has not received adequate tobacco settlement receipts to cover the turbo redemption payment on the serial bonds. The shortfall in 2021 was \$220,000, and the shortfall in 2022 was \$230,000, leaving an accumulated \$1,870,000 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

Tobacco Settlement Revenues

The Corporation does not anticipate any significant changes in its funding. Historically, the Corporation's annual tobacco settlement revenues vary from year to year, ranging from a high of \$740,752 in 2021 to a low of \$460,450 in 2017. The average of the last 10 years of tobacco settlement revenues is approximately \$657,200, and the accrued tobacco settlement receivable at December 31, 2022 is \$650,000. It is expected that tobacco settlement revenues will continue to vary over the years, but it is anticipated the annual average over time will continue to approximate \$650,000.

The Corporation anticipates sufficient tobacco settlement revenues to cover the required principal and interest payments of the 2000 bond issue. But, as explained in Figure 4 of Management's Discussion and Analysis, the Corporation has not had adequate tobacco settlement receipts to cover the turbo redemption payments on these serial bonds since 2010, requiring these principal payments, and additional interest expense, to be deferred to future years.

The Corporation continues to accrete interest on \$3,634,440 of serial bonds issued in 2005, with accreted interest accumulating to \$7,827,818 at December 31, 2022. Expected accreted interest for 2023 will exceed \$650,000. Although debt service on this bond issue is not required to begin until after the 2000 bond issue is repaid, it is now apparent that annual accreted interest on the 2005 bonds will exceed the expected tobacco settlement revenues. Unless there is a significant increase in future tobacco settlement receipts, the Corporation is not likely to be able to pay future total required debt service payments on the 2005 bond issue.

Cost for Administrative Services

For 2023, the Corporation has budgeted a transfer of \$34,000 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.