

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION

Ithaca, New York

FINANCIAL REPORT

December 31, 2015



***TOMPKINS TOBACCO ASSET
SECURITIZATION CORPORATION***

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INDEPENDENT AUDITOR'S 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, 2015, 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.

Auditor's 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 auditor's 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.

Opinions

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, 2015, 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 3-3c 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, 2016 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, 2016

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015. 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 (deficit) of \$(10,805,991) showed a decrease of \$65,739 in 2015, from \$(10,871,730) in 2014.
- Total fund balance of \$1,838,916 showed an increase of \$417,288 in 2015, from \$1,421,628 in 2014.

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 both 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 some of the 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 as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Corporation's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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.

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015

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 Funds columns provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the Corporation's programs. 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, 2015 changed by \$65,739. 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

Condensed Statement of Net Position

<i>Condensed Statement of Net Position</i>	<i>Governmental Activities and Total Corporation</i>		<i>Total Dollar Change</i>
	<i>2014</i>	<i>2015</i>	<i>2014 - 2015</i>
<i>Current assets</i>	\$ 771,849	\$ 1,189,137	\$ 417,288
<i>Noncurrent assets</i>	649,779	649,779	-0-
<i>Total Assets</i>	1,421,628	1,838,916	417,288
<i>Current liabilities</i>	1,013,508	1,366,198	352,690
<i>Noncurrent liabilities</i>	11,279,850	11,278,709	(1,141)
<i>Total Liabilities</i>	12,293,358	12,644,907	351,549
<i>Restricted for debt service</i>	650,291	659,308	9,017
<i>Unrestricted net (deficit)</i>	(11,522,021)	(11,465,299)	56,722
<i>Total Net (Deficit)</i>	\$ (10,871,730)	\$ (10,805,991)	\$ 65,739

Current assets increased primarily due to an increase in the tobacco settlement receivable of \$407,500. Litigation that has been ongoing with certain tobacco companies was settled in the fall of 2015, and the Corporation will receive a settlement in 2016; the estimated amount has been included in the receivable. The current portion of bonds payable increased due to scheduled debt amortization, and annual shortfalls in debt payments since 2010. The decrease in noncurrent liabilities is primarily due to the accretion of interest on 2005 TASC bonds of \$483,340 offset by the repayment of bonds totaling \$145,000 and the transfer of debt to current liabilities.

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015

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

Figure 2

Changes in Net Position

Changes in Net Position	Governmental Activities and Total Corporation		Total Dollar Change
	2014	2015	2014 - 2015
<i>Revenues:</i>			
<i>Tobacco settlement receipts</i>	\$ 739,442	\$ 984,664	\$ 245,222
<i>Interest income</i>	101	93	(8)
Total Revenues	739,543	984,757	245,214
<i>Expenses:</i>			
<i>Insurance expense</i>	4,208	4,030	(178)
<i>Professional fees</i>	26,375	27,275	900
<i>Interest expense</i>	844,182	861,536	17,354
<i>Other expenses</i>	2,350	2,428	78
<i>Transfer to Tompkins County</i>	21,240	23,749	2,509
Total Expenses	898,355	919,018	20,663
(DECREASE) INCREASE IN NET POSITION	\$ (158,812)	\$ 65,739	\$ 224,551

Total revenue increased by 33.2% in 2015 compared to 2014 due to the settlement of litigation described previously. Total expenses increased 2.3%, due to increases in interest expense and transfers to the County.

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 \$1,838,916 for 2015.

Figure 3

Governmental Fund Balances - Major Funds

Governmental Fund Balance	Governmental		Total Dollar Change
	2014	2015	2014 - 2015
<i>General Fund</i>	\$ 1,421,628	\$ 1,838,916	\$ 417,288

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015

DEBT ADMINISTRATION

Debt, considered a liability of governmental activities, increased by \$352,292 in 2015, 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

TASC Bonds

<i>Outstanding Debt</i>	<i>Governmental Activities</i>		<i>Total Dollar Change</i>
	<i>2014</i>	<i>2015</i>	<i>2014 - 2015</i>
<i>Bonds payable, net</i>	\$ 12,264,319	\$ 12,616,611	\$ 352,292

Since 2010, the Corporation has not received adequate tobacco settlement receipts to cover the turbo redemption payment on the serial bonds; in 2015 and 2014, the shortfalls were \$180,000 and \$75,000, respectively. 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. Therefore, the accumulated \$800,000 underpayment is classified as a current liability.

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

FACTORS BEARING ON THE CORPORATION'S FUTURE

- The Corporation does not anticipate any significant changes in funding the Corporation, other than the settlement referred to above; it is expected that receipts will return to lower amounts for 2016. Annual tobacco settlement receipts are expected to continue to decline at a modest pace. While current receipts are averaging approximately 75% of original projections, the Corporation anticipates sufficient receipts to cover the required fixed amortization payments.
- In 2016, the Corporation has budgeted a transfer of \$25,299 to Tompkins County.

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
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Governmental Fund Type General	Adjustments	Statement of Net Position
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 108,745	\$	\$ 108,745
Restricted cash and cash equivalents, current	9,529		9,529
Accrued tobacco settlement receipts	1,067,500		1,067,500
Prepaid expenses	3,363		3,363
Total Current Assets	1,189,137	-0-	1,189,137
Restricted cash and cash equivalents, noncurrent	649,779		649,779
Total Assets	\$ 1,838,916	-0-	1,838,916
LIABILITIES			
Current Liabilities:			
Accrued interest payable	\$	28,296	28,296
Current portion of bonds payable, net		1,337,902	1,337,902
Total Current Liabilities	-0-	1,366,198	1,366,198
Accreted interest on Series 2005 Bonds		3,618,221	3,618,221
Bonds payable, net		7,660,488	7,660,488
Total Liabilities	-0-	12,644,907	12,644,907
FUND BALANCE/NET POSITION			
Fund Balance:			
Restricted for debt service	659,308	(659,308)	
Unassigned	1,179,608	(1,179,608)	
Total Fund Balance	1,838,916	(1,838,916)	-0-
Net Position:			
Restricted for debt service		659,308	659,308
Unrestricted		(11,465,299)	(11,465,299)
Total Net (Deficit)	-0-	(10,805,991)	(10,805,991)
Total Fund Balance/Net (Deficit)	\$ 1,838,916	\$ (12,644,907)	\$ (10,805,991)

See Independent Auditor's Report and 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, 2014**

	<u>Governmental Fund Type</u>		<u>Statement of</u>
	<u>General</u>	<u>Adjustments</u>	<u>Activities</u>
Revenue:			
Tobacco settlement receipts	\$ 984,664	\$	\$ 984,664
Interest income	93		93
Total Revenue	<u>984,757</u>	<u>-0-</u>	<u>984,757</u>
Expenditures/Expenses:			
Insurance expense	4,030		4,030
Professional fees	27,275		27,275
Debt service	509,987	351,549	861,536
Other expenditures/expenses	2,428		2,428
Transfer to residual trust	23,749		23,749
Total Expenditures/Expenses	<u>567,469</u>	<u>351,549</u>	<u>919,018</u>
Excess of Revenues Over (Expenditures/Expenses)	<u>417,288</u>	<u>(351,549)</u>	<u>65,739</u>
Fund Balance/Net (Deficit), January 1, as restated	<u>1,421,628</u>	<u>(12,293,358)</u>	<u>(10,871,730)</u>
Fund Balance/Net (Deficit), December 31,	<u>\$ 1,838,916</u>	<u>\$ (12,644,907)</u>	<u>\$ (10,805,991)</u>

See Independent Auditor's Report and Notes to Financial Statements.

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

***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 generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant of the Corporation's accounting policies are described below.

A. 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 Section 1411 of the Not-For-Profit Corporation Law of the State of New York. The Tompkins TASC is one of 17 New York County TASC's created in 2000 for the purpose of purchasing the 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 and the funds and accounts pledged by the respective TASC Indenture. The collections of the 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 FOR THE YEAR ENDED DECEMBER 31, 2015

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

The Tompkins TASC membership is comprised of four directors who are appointed by the Chair of the Tompkins County Legislature. At this time, one director is the Chair of the County Legislature, one is the County Administrator, one is the County Finance Director, and one member who has no affiliation with the County 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.

B. 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 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 to aid financial management by segregating transactions related to certain government functions or activities.

The Tompkins Tobacco Asset Securitization Corporation records its transactions in the fund types described below:

Fund Categories

Governmental Fund Types - those through which most governmental functions are financed. 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 Tobacco Asset Securitization Corporation's Governmental Fund Type:

General Fund - principal operating fund which includes all operations not required to be recorded in other funds.

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

C. 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, i.e. expenditures or expenses.

The Statement of Net Position and the Statement of Activities 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 statements 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.

D. Equity Classifications

- **Restricted Net Position/Restricted Fund Balance**
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/Unassigned Fund Balance**
Consists of all other resources that do not meet the definition of "restricted" or "net investment in capital assets."

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

E. 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.

Note 2 Explanation of Certain Differences between Governmental Fund Type Columns and 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.

A. 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.

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

Total fund balance as reported in the Governmental Fund type column \$ 1,838,916

Long-term liabilities are reported in the Statement of Net Position, but not in the Governmental Funds, because they are not due and payable in the current period. Balances at year end were:

Bonds payable	\$ (9,159,440)	
Less unamortized discount	161,050	
Add accreted amount on Series 2005 Bonds	<u>(3,618,221)</u>	(12,616,611)

Interest on long-term debt is accrued in the Statement of Net Position, but not in the Governmental Funds. The balance of accrued interest payable at year end was:

Accrued interest payable		<u>(28,296)</u>
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Total Net (Deficit) as Reported in the Statement of Net Position		<u><u>\$ (10,805,991)</u></u>
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TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

B. Explanation of Difference between Governmental Fund Type Column in the Operating Statement and the Statement of Activities Column:

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:

- 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.

Total Expenditures/Expenses and Other Financing Uses as reported in the Governmental Fund Type column	\$ 567,469
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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 increase in interest reported in the Statement of Activities is the result of accrued and accreted interest on bonds payable, as well as the amortization of bond discounts.	496,549
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Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position, and does not affect the Statement of Activities.	<u>(145,000)</u>
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Total Expenses of Governmental Activities in the Statement of Activities	<u>\$ 919,018</u>
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There were no differences in revenue in 2015.

Note 3 Cash and Investments

Cash and cash equivalents, including restricted amounts, consist of bank deposits and short-term liquid debt instruments. At December 31, 2015, total cash and cash equivalents aggregated \$768,053; the Corporation's bank balance at that date was also \$768,053.

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

Note 3 Cash and Investments - Continued

The Tompkins Tobacco Asset Securitization Corporation's investment policies are governed by state statutes. In addition, the Tompkins Tobacco Asset Securitization Corporation follows its written investment policy. Tompkins Tobacco Asset Securitization 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.

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of three months or less.

Restricted cash and cash equivalents total \$659,308 and represent amounts held in a mandated TASC liquidity reserve as required (\$649,779), which is held in trust and also amounts in the bond trapping account (\$9,529). This reserve is comprised of U.S. Treasury money market funds.

Note 4 Long-term Debt

The following summary is the Corporation's long-term debt for the year ended December 31, 2015:

<u>Description of Issue</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding December 31, 2015</u>
Series 2000 Tobacco Settlement				
Pass-through bonds	12/00	6/25	5.25% - 6.30%	\$ 5,525,000
Less: Unamortized bond discount				<u>(106,207)</u>
Carrying Value of Series 2000 Tobacco Settlement Pass-through Bonds				<u>5,418,793</u>
Series 2005 Tobacco Settlement				
Pass-through Bonds	11/05	6/60	6.0% - 7.85%	3,634,440
Less: Unamortized bond discount				(54,843)
Add: Addition to accreted value				<u>3,618,221</u>
Carrying Value of Series 2005 Tobacco Settlement Pass-through Bonds				<u>7,197,818</u>
Total Carrying Value of Pass-through Bonds				<u>\$ 12,616,611</u>

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

Note 4 Long-term Debt - Continued

Interest on long-term debt paid during the year was:

Interest paid	\$ 364,987
Less: Interest accrued in the prior year	(29,039)
Plus: Interest accrued in the current year	28,296
Amortization of bond discount	13,952
Addition to accreted value of Series 2005 bonds	<u>483,340</u>
Total Expense	<u>\$ 861,536</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:

	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
Bonds payable	\$ 9,304,440	\$	\$ (145,000)	\$ 9,159,440	\$ 1,351,854
Less: Bond discount	(175,002)		13,952	(161,050)	(13,952)
Add: Addition to accreted interest	<u>3,134,881</u>	<u>483,340</u>	<u></u>	<u>3,618,221</u>	<u></u>
Total Bonds Payable	<u>\$ 12,264,319</u>	<u>\$ 483,340</u>	<u>\$ (131,048)</u>	<u>\$ 12,616,611</u>	<u>\$ 1,337,902</u>

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

	Principal	Interest	Total
2016	\$ 1,155,000	\$ 297,824	\$ 1,452,824
2017	365,000	274,604	639,604
2018	475,000	247,564	722,564
2019	490,000	216,551	706,551
2020	530,000	183,547	713,547
2021-2025	<u>2,510,000</u>	<u>356,424</u>	<u>2,866,424</u>
Total	<u>\$ 5,525,000</u>	<u>\$ 1,576,514</u>	<u>\$ 7,101,514</u>

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

The Series 2005 bonds are as follows:

<u>Description of Issue</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Principal</u>
Series 2005 S1 Capital Appreciation Bond	11/2005	6/2038	6.00%	\$ 1,147,462
Series 2005 S2 Capital Appreciation Bond	11/2005	6/2050	6.10%	753,624
Series 2005 S3 Capital Appreciation Bond	11/2005	6/2055	6.85%	448,938
Series 2005 S4B Capital Appreciation Bond	11/2005	6/2060	7.85%	<u>1,284,416</u>
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.

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 is expected that the Corporation will make payments based on this amortization. No payments on this debt were made during 2015.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 53,421	\$ 40,285	\$ 93,706
2016	143,433	123,490	266,923
2017	146,360	142,590	288,950
2018	160,996	176,209	337,205
2019	162,460	198,534	360,994
2020-2024	552,153	872,461	1,424,614
2025-2029	1,334,238	4,069,035	5,403,273
2030-2034	661,760	4,411,359	5,073,119
2035-2039	<u>419,619</u>	<u>4,199,897</u>	<u>4,619,516</u>
Expected Total Debt Service	<u>\$ 3,634,440</u>	<u>\$ 14,233,860</u>	<u>\$ 17,868,300</u>

***TOMPKINS TOBACCO ASSET
SECURITIZATION CORPORATION***

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

	Amount of Yearly Accretion And Amortization of Bond Discount
2016	\$ 482,083
2017	499,376
2018	515,594
2019	531,777
2020	547,854
2021-2025	3,045,735
2026-2030	2,825,921
2031-2035	1,867,134
2036-2039	<u>300,165</u>
Total Accretion	10,730,840
Accumulated accretion	3,618,221
Principal	<u>3,634,440</u>
Expected Total Debt Service	\$ <u><u>17,983,501</u></u>

**INDEPENDENT AUDITOR’S 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) as of and for the year ended December 31, 2015, 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, 2016.

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, 2016