CHAUTAUQUA TOBACCO ASSET SECURITIZATION CORPORATION

A COMPONENT UNIT OF THE
COUNTY OF CHAUTAUQUA, NEW YORK

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

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JOHNSON, MACKOWIAK
& ASSOCIATES, LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Chautauqua Tobacco Asset Securitization Corporation
3163 Airport Drive
Jamestown, New York 14701

Report of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Chautauqua Tobacco Asset Securitization Corporation (CTASC), a component unit of the County of Chautauqua, New York, as of and for the years ended December 31, 2021 and 2020 and the related notes to the financial statements, which collectively comprise CTASC's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of CTASC, as of December 31, 2021 and 2020, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section our report. We are required to be independent of CTASC 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 opinions.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, 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 CTASC'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 opinions. 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 override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement 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 judgement and maintain professional skepticism throughout the audit.
- identify and access 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 CTASC'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about CTASC'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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 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 February 15, 2022, on our consideration of CTASC's internal control over financial reporting and our tests of its compliance with certain provision 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 the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CTASC's internal control over financial reporting and compliance.

Other Reporting Required by New York State Public Authorities Law

In accordance with New York Public Authorities Law, we have also issued our report dated February 15, 2022 on our consideration of CTASC's compliance with Section 2925(3)(f) of the New York State Public Authorities Law ("Law"). The purpose of that report is to describe the scope and results of our tests of compliance with the Law.

Johnson, Mackowiak & Associates, LLP

JOHNSON, MACKOWIAK & ASSOCIATES, LLP

Fredonia, New York
February 15, 2022

CHAUTAUQUA TOBACCO ASSET SECURITIZATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

This discussion and analysis of the Chautauqua Tobacco Asset Securitization Corporation (CTASC), a blended component unit of the County of Chautauqua, New York, financial performance provides an overview of CTASC's financial activities for the year ended December 31, 2021. This document should be read in conjunction with CTASC's financial statements which begin on page 7.

FINANCIAL HIGHLIGHTS

- On November 6, 2014 CTASC refunded the 2000 Series bonds and reissued 2014 Series bonds in the amount of $34,765,000. The sale of the bonds provided for the complete refunding of the 2000 series, purchase of the 2005 series S4B, provided $600,000 of excess proceeds to Chautauqua County for the capital expansion of the Sherman Department of Public Facilities maintenance facilities, and created a $120,000 CTASC operating reserve. The highlight of the bond sale was the $600,000 payment to the county and the purchase of the 2005 S4B tranche. The S4B tranche was projected to never pay off which would have resulted in a probable default by 2060. If projected TSR's (Tobacco Settlement Revenues) maintain their rate of decline, the county may expect to once again receive residual payments from the TSRs.
- CTASC's net deficit decreased $320,270 as a result of this year's activity.
- Total assets decreased by approximately $667,000 from 2020 to 2021, primarily as a result of decreases in unamortized bond discount costs on capital appreciation bonds. Total liabilities decreased by approximately $810,000, as a result of the repayment of debt and change in accrued interest.
- Tobacco settlement revenues increased by approximately $177,000 from 2020 to 2021.

USING THIS REPORT

The annual report consists of a series of financial statements. The statements of net position (deficit) and the statements of activities provide information regarding CTASC as a whole and present a longer-term view of CTASC's finances. Financial statements for each fund start on page 8. For governmental activities, these statements show how services were financed in the overall operation of CTASC in greater detail than CTASC-wide financial statements.

REPORTING CTASC AS A WHOLE

The Statements of Net Position (Deficit) and Statements of Activities

The statements of net position (deficit) and statements of activities show information about CTASC as a whole. These statements include all assets and liabilities of CTASC using the accrual basis of accounting which is used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report CTASC's net position (deficit) and the changes to it. CTASC's net position (deficit) – the difference between assets and liabilities – is a way to measure CTASC's financial health, or financial position. Over time, increases or decreases in CTASC's net position (deficit) are one indicator of whether its financial health is improving or deteriorating.

In the statements of net position (deficit) and the statements of activities, CTASC reports all its basic services as governmental activities. These services are primarily economic development.

REPORTING CTASC'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Our financial statement presentation of CTASC's major funds begins on page 8 and provide detail of CTASC's most significant funds on an individual basis rather than the Corporation taken as a whole. Some funds are required to be established by state or local law or by the nature of the federal and state funding for their operation. Currently CTASC utilizes two governmental funds (Capital Projects and Debt Service).

Governmental Funds

The two funds of CTASC are considered governmental funds. This section focuses on how revenue flows into and out of these funds and the balance of the funds at year-end which is available for future spending. These funds are reported using the modified accrual basis of accounting which measures cash and financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of CTASC's general operations and the basic services it provides. This information helps determine the financial resources that can be spent to finance CTASC programs. The relationship between the governmental activities (accrual basis) and the governmental funds (modified accrual basis) is provided in reconciliations on pages 9 and 11.

FACTORS BEARING ON THE CORPORATION'S FUTURE

At the time these financial statements were prepared and audited, the Corporation was aware of the following circumstances that could significantly affect its financial health in the future:

- Prior to August 2013, the Master Settlement Agreement (MSA) participants continued to withhold approximately 12% of the expected payments due to the dispute regarding the Non-Participating Manufacturers (NPM) percentage of market share growth. In August 2013, New York State was successful through arbitration in winning the NPM dispute for the payment year. The payment for this settlement on the 2003 NPM holdback was distributed to CTASC during the 2014 calendar year.
- On October 16, 2015 New York State resolved with Master Settlement Agreement (MSA) participants all outstanding Non-Participating Manufacturers (NPM) disputed holdbacks. For the 2004-10 Period, (A) the Original Participating Manufacturers ("OPMs") will receive a discount (each a "Settlement Credit") equal to a flat 10% of the allocable New York amount deposited by an OPM in the DPA for such period, and (B) the Subsequent Participating Manufacturers ("SPMs") will receive Settlement Credits pursuant to an adjusted formula based on the OPM formula for such period. For the 2011-14 period, (A) the OPMs will receive Settlement Credits based on formula relating to certain cigarettes for which the State did not collect New York Excise Tax during each year of such three year period, and (B) the SPMs will receive Settlement Credits pursuant to an adjusted formula based on the OPM formula for such period.

For 2015 and thereafter, (A) the OPMs will receive Settlement Credits tied to the total in-state sales volume of cigarettes that are manufactured on Native American reservations and sold tax-free from smoke shops on those reservations to New York consumers, and (B) the SPMs will receive Settlement Credits pursuant to an adjusted formula based on the OPM formula for such period. The Settlement Credits will be for a fixed amount per pack of cigarettes, but with a modifier based on overall volume of such cigarettes per year and an inflation adjustment. The annual volume information will be determined by a neutral, un-appealable third party agreed upon by the State and Participating Manufacturers. The payment to CTASC of NPM settlement amounts less the settlement credits was received during April 2016 for the amount of $2,034,372.

- As of February 2013, the three Original Participating Manufacturers (OPM) in the Master Settlement agreement with a market share totaling 80% were rated at BBB- or above by Moody's Investors Service. As discussed in the notes to the financial statements, the tobacco settlement revenues are dependent upon the volume of cigarettes shipped in the United States, which is primarily a function of domestic cigarette consumption.
- Fitch, Inc. withdrew all ratings on Tobacco Settlement ABS Criteria on June 15, 2016. The rating company does not believe that future payments from cigarette makers can be predicted reliably. Recent settlement agreements related to disputed payments connected to the non-participating manufacturer adjustment have eroded Fitch's confidence in the predictability of the calculation of MSA payments going forward.

CONTACTING CTASC'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens of Chautauqua County, customers, and creditors with a general overview of CTASC's finances and to show CTASCS's accountability for the money it receives. If you have any questions or need additional information, contact Darin Schulz, 3200 Deerwood Drive, Ashville, NY 14710.

CHAUTAUQUA TOBACCO ASSET SECURITIZATION CORPORATION
A COMPONENT UNIT OF THE COUNTY OF CHAUTAUQUA, NEW YORK
STATEMENTS OF NET POSITION (DEFICIT)
DECEMBER 31, 2021 AND 2020

ASSETS

	2021	2020
Restricted cash and cash equivalents	$ 42,427	$ 45,260
Restricted investments	2,411,402	2,395,134
Capital assets, net	-	-
Unamortized bond discount:		
Series 2005 Turbo Capital Appreciation Bonds	75,215,628	75,874,130
Series 2014/2005 Bonds	341,948	363,918
TOTAL ASSETS	$ 78,011,405	$ 78,678,442

LIABILITIES AND NET POSITION (DEFICIT)

LIABILITIES:		
Bonds payable:		
Due and payable within one year	$ 1,595,000	$ 1,275,000
Due and payable after one year	27,680,000	28,805,000
Turbo Capital Appreciation Bonds payable	84,714,716	84,714,716
Accrued interest	117,064	122,303
TOTAL LIABILITIES	114,106,780	114,917,019
DEFERRED INFLOWS OF RESOURCES:		
Deferred gain on refunding	2,729,278	2,906,346
TOTAL DEFERRED INFLOWS OF RESOURCES	2,729,278	2,906,346
NET POSITION (DEFICIT):		
Net investment in capital assets	-	-
Restricted for debt service	2,291,446	2,273,644
Restricted for capital program	162,383	166,750
Unrestricted deficit	(41,278,482)	(41,585,317)
TOTAL NET POSITION (DEFICIT)	(38,824,653)	(39,144,923)
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION (DEFICIT)	$ 78,011,405	$ 78,678,442

See accompanying notes to financial statements.

CHAUTAUQUA TOBACCO ASSET SECURITIZATION CORPORATION
A COMPONENT UNIT OF THE COUNTY OF CHAUTAUQUA, NEW YORK
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
REVENUES:		
Tobacco settlement :		
Revenue	$ 2,354,394	$ 2,177,082
Investment income:		
Interest income	59,749	58,705
Investment gain (loss)	(41,849)	61,929
Amortization of gain on refunding	177,068	177,068
Total investment income (loss)	194,968	297,702
TOTAL REVENUES	2,549,362	2,474,784
EXPENSES:		
General and administrative expenses	85,959	82,926
Distributions to Chautauqua County for capital program	-	-
Interest expense	1,462,661	1,505,942
Bond accretion	647,926	608,234
Bond issuance costs / discount fees	32,546	32,546
TOTAL EXPENSES	2,229,092	2,229,648
CHANGE IN NET POSITION (DEFICIT)	320,270	245,136
NET POSITION (DEFICIT), beginning of year	(39,144,923)	(39,390,059)
NET POSITION (DEFICIT), end of year	$ (38,824,653)	$ (39,144,923)

See accompanying notes to the financial statements.

CHAUTAUQUA TOBACCO ASSET SECURITIZATION CORPORATION
A COMPONENT UNIT OF THE COUNTY OF CHAUTAUQUA, NEW YORK
BALANCE SHEETS - GOVERNMENTAL FUNDS
DECEMBER 31, 2021 AND 2020

	2021			2020		
	Capital Projects	Debt Service	Total Governmental Funds	Capital Projects	Debt Service	Total Governmental Funds
ASSETS:						
Restricted cash and cash equivalents	$ 42,376	$ 51	$ 42,427	$ 45,204	$ 56	$ 45,260
Restricted investments	120,007	2,291,395	2,411,402	121,546	2,273,588	2,395,134
TOTAL ASSETS	$ 162,383	$ 2,291,446	$ 2,453,829	$ 166,750	$ 2,273,644	$ 2,440,394
FUND BALANCES:						
Restricted for capital program	$ 162,383	$ -	$ 162,383	$ 166,750	$ -	$ 166,750
Restricted for debt service	-	2,291,446	2,291,446	-	2,273,644	2,273,644
TOTAL FUND BALANCES	$ 162,383	$ 2,291,446	$ 2,453,829	$ 166,750	$ 2,273,644	$ 2,440,394

See accompanying notes to the financial statements.

CHAUTAUQUA TOBACCO ASSET SECURITIZATION CORPORATION
A COMPONENT UNIT OF THE COUNTY OF CHAUTAUQUA, NEW YORK
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS
TO THE STATEMENTS OF NET POSITION (DEFICIT)
DECEMBER 31, 2021 AND 2020

	2021	2020
TOTAL FUND BALANCE - GOVERNMENTAL FUNDS	$ 2,453,829	$ 2,440,394
Amounts reported for governmental activities in the statement of net position (deficit) are different because:		
Property and equipment used in governmental activities are not financial resources and therefore not reported in the governmental funds.		
Governmental property and equipment	34,189	34,189
Less accumulated depreciation	(34,189)	(34,189)
	-	-
Deferred inflow of resources related to the refinancing of debt are not reported in the governmental funds financial statements. The resulting gain is reported in the statement of net assets as a deferred inflow of resources. The difference between the reacquisition price and the net carrying amount of the old debt is amortized to interest expense over a period at a time that is the shorter of the remaining life of existing debt or the life of the new debt.	(2,729,278)	(2,906,346)
Bond discounts are reported as other financing uses in governmental funds financial statements. However, in the statement of net assets, bond discounts are reported as a component of bonds payable and amortized over the lives of the related debt.	75,557,576	76,238,048
Some liabilities are not due and payable in the current period from currently available financial resources and are therefore not reported in the governmental funds financial statements. Those liabilities consist of:		
Governmental bonds payable	(113,989,716)	(114,794,716)
Accrued interest	(117,064)	(122,303)
NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	$ (38,824,653)	$ (39,144,923)

See accompanying notes to financial statements.

CHAUTAUQUA TOBACCO ASSET SECURITIZATION CORPORATION
A COMPONENT UNIT OF THE COUNTY OF CHAUTAUQUA, NEW YORK
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020		
	Capital Projects	Debt Service	Total Governmental Funds	Capital Projects	Debt Service	Total Governmental Funds
REVENUES:						
Tobacco settlement revenue	$ 2,354,394	$ -	$ 2,354,394	$ 2,177,082	$ -	$ 2,177,082
Interest income	35	59,714	59,749	2,943	55,762	58,705
Investment earnings (loss)	-	(41,849)	(41,849)	(2,905)	64,834	61,929
TOTAL REVENUES	2,354,429	17,865	2,372,294	2,177,120	120,596	2,297,716
EXPENDITURES:						
Bond interest expense	-	1,467,900	1,467,900	-	1,509,025	1,509,025
Bond principal	-	805,000	805,000	-	840,000	840,000
General and administrative expenses	85,959	-	85,959	82,926	-	82,926
TOTAL EXPENDITURES	85,959	2,272,900	2,358,859	82,926	2,349,025	2,431,951
Excess (Deficiency) of Revenues Over Expenditures	2,268,470	(2,255,035)	13,435	2,094,194	(2,228,429)	(134,235)
Other Financing Sources (Uses):						
Operating transfers in	-	2,272,837	2,272,837	-	2,105,614	2,105,614
Operating transfers out	(2,272,837)	-	(2,272,837)	(2,105,614)	-	(2,105,614)
Total Other Financing Sources (Uses)	(2,272,837)	2,272,837	-	(2,105,614)	2,105,614	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(4,367)	17,802	13,435	(11,420)	(122,815)	(134,235)
FUND BALANCES, beginning of year	166,750	2,273,644	2,440,394	178,170	2,396,459	2,574,629
FUND BALANCES, end of year	$ 162,383	$ 2,291,446	$ 2,453,829	$ 166,750	$ 2,273,644	$ 2,440,394

See accompanying notes to the financial statements.

CHAUTAUQUA TOBACCO ASSET SECURITIZATION CORPORATION
A COMPONENT UNIT OF THE COUNTY OF CHAUTAUQUA, NEW YORK
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$ 13,435	$ (134,235)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report the cost of debt issuance as expenditures. However, in the statement of activities, the cost of debt issuance is amortized over the lives of the related debt.	(32,546)	(32,546)
Governmental funds report bond proceeds net of repayment of debt. However, in the statement of activities, bond accretion, which results in an increase in the amount of the bond due is recognized.	(647,926)	(608,234)
Governmental funds report the gain on refunding of debt when the debt is issued. However, in the statement of activities these amounts are deferred and amortized over the lives of the related debt.	177,068	177,068
Governmental funds report bond principal payments as other financing uses. However, in the statement of activities, bond principal payments are recognized as liabilities and written down as they are paid.	805,000	840,000
Some expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This includes the change in accrued interest each year.	5,239	3,083
CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	$ 320,270	$ 245,136

See accompanying notes to the financial statements.

NOTE 1 - ORGANIZATION

Overview

Chautauqua Tobacco Asset Securitization Corporation ("CTASC"), a component unit of Chautauqua County, New York (the County), is a special purpose, bankruptcy remote local development corporation organized under the provisions of Section 1411 of the New York State Not-For-Profit Corporation Law. CTASC is governed by a Board of three directors, consisting of the County Executive for Chautauqua County, New York; the Director of Finance for Chautauqua County, New York; and an independent director. Although legally separate from the County, the Corporation is a component unit of the County, and accordingly, is included in the County's financial statements as a blended component unit.

Pursuant to a Purchase and Sale Agreement with the County, CTASC purchased from the County all of its future rights, title and interest in the Tobacco Settlement Revenues (TSR's) under the Master Settlement Agreement ("MSA"). The MSA was entered into on November 23, 1998, among the attorneys general of 46 states (including New York), the District of Columbia, the Commonwealth of Puerto Rico, Guam, the U.S. Virgin Islands, American Samoa and the Territory of the Northern Marianas and the four largest United States tobacco manufacturers: Philip Morris Incorporated, R.J. Reynolds Tobacco Company, Brown & Williamson Tobacco Corporation and Lorillard Tobacco Company. The MSA resolved cigarette smoking-related litigation between the Settling States. The MSA also imposed certain tobacco advertising and marketing restrictions, among other things. Neither the County nor CTASC is a party to the MSA.

CTASC financed the purchase through the issuance of Tobacco Settlement Revenue Bonds and the Residual Certificate. The Residual Certificate represents the entitlement to receive all amounts required to be distributed after payment of debt service, operating expenses and certain other costs as set forth in the Indenture. Payments on the Residual Certificate from TSR collections are subordinate to payments on the bonds and payment of certain other costs specified in the Indenture. Excess TSR's not required by CTASC to pay various expenses, debt service or required reserves with respect to the bonds are generally transferred to the CTASC Residual Trust, as owner of the Residual Certificate. The County is the beneficial owner of the Trust and thus the funds received by the Trust are transferred to the County.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus/Basis of Accounting

The entity-wide financial statements of CTASC, which include the statements of net position (deficit) and the statements of activities, are presented to display information about the reporting entity as a whole, in accordance with Statements No. 34 of the Governmental Accounting Standards Board. The statements of net position (deficit) and the statements of activities are prepared using the economic resources measurement focus and the accrual basis of accounting.

CTASC's governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it becomes susceptible to accrual, which is when it becomes both measureable and available to finance expenditures in the current fiscal period. Measureable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recognized when the related liability is incurred, except for unmatured interest on bonds payable, which is recognized when due.

Property, Equipment and Depreciation

Property and equipment are recorded at cost. Depreciation is computed over the estimated useful lives of the property and equipment on the straight-line method in the entity-wide financial statements. The governmental funds financial statements recognize property and equipment acquisitions as an expense in the period in which they are acquired. Depreciation is not recognized in the governmental funds financial statements.

Bond Premiums and Discounts

Bond premiums and discounts are capitalized and amortized over the lives of the related debt using the straight-line method in the entity-wide financial statements. The governmental funds financial statements recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuance are reported as other financing uses.

Interest Expense

Interest expense is recognized on the accrual basis in the entity-wide financial statements. Interest expenditures are recognized when paid in the individual governmental funds financial statements.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires CTASC's management to make estimates and assumptions in determining the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Tax Status

The Corporation is exempt from federal income tax under Section 115 of the Internal Revenue Code. The Corporation believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Cash and Cash Equivalents

CTASC's cash and cash equivalents are currently limited to bank deposits, U.S. Government securities, and Insured Money Market funds. At December 31, 2021, the Corporation's cash and cash equivalents consisted of insured Money Market funds of $281,113 and bank deposits of $42,427. At December 31, 2020, the Corporation's cash and cash equivalents consisted of insured Money Market funds of $348,948 and bank deposits of $45,260. Investments with an original maturity date of three months or less are classified as cash and cash equivalents. Bank deposits up to $250,000 are insured by Federal Depository Insurance Corporation.

All deposits of the Corporation, including money market deposits, are insured under the provisions of the Federal Deposit Insurance Act. Excess deposits are not secured.

Accounting and Reporting Changes

In November 2016, Governmental Accounting Standards Board (GASB) issued Statement No. 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period.* The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. CTASC implemented Statement No. 89 effective for the fiscal year ended December 31, 2021. The adoption of Statement No. 89 had no effect on CTASC's financial statements.

In June 2020, Governmental Accounting Standards Board (GASB) issued Statement No. 97 - *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. CTASC implemented Statement No. 97 effective for the fiscal year ended December 31, 2021. The adoption of Statement No. 97 had no effect on CTASC's financial statements.

In May 2020, Governmental Accounting Standards Board (GASB) issued Statement No. 95 - *Postponement of the Effective Dates of Certain Authoritative Guidance.* The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. CTASC implemented Statement No. 95 effective for the fiscal year ended December 31, 2020. The guidance postpones by one year the effective dates of certain provisions in the following pronouncements that affect the Corporation:

- Statement No. 91 - *Conduit Debt Obligations*
- Statement No. 92 - *Omnibus 2020*
- Statement No. 93 - *Replacement of Interbank Offered Rates*

The Statement postpones the effective dates of the following pronouncements by 18 months:

- Statement No. 87 - *Leases*

Future Impacts of Accounting Pronouncements

CTASC has not completed the process of evaluating the impact that will result from adopting Governmental Accounting Standards Board (GASB) Statement No. 87 - *Leases*, effective for the year ending December 31, 2022; GASB Statement No. 91 - *Conduit Debt Obligations,* effective for the year ending December 31, 2022, GASB Statement No. 92 - *Omnibus 2020*, effective for the year ending December 31, 2023, GASB Statement No. 93 - *Replacement of Interbank Offered Rates*, effective for the year ending December 31, 2022, GASB Statement No. 94 - *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for the year ending December 31, 2023; GASB Statement No. 96 - *Subscription-Based Information Technology Arrangements*, effective for the year ending December 31, 2023 and GASB Statement No. 98 - *The Annual Comprehensive Financial Report*, effective for the year ending December 31, 2022.

CTASC is therefore unable to disclose the impact that adopting these GASB Statements will have on its financial position and results of operation when such statements are adopted.

Deficit Net Position

At December 31, 2021, CTASC reported a net position deficit of $38,824,653. The deficit is caused by long-term obligations that are greater than currently available resources.

NOTE 3 - INVESTMENTS

Investments are reported at fair value. The Corporation's trustee holds investments for the funds included in the financial statements. The Corporation invests in authorized investments as described in the bond resolution such as obligations of the United States of America.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Corporation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Corporation's investments at December 31, 2021 and 2020 were in U.S. Government and Municipal Obligations.

Concentration of Credit Risk - The Corporation places no limit on the amount that it may invest within any one issuer. The Corporation's investments at December 31, 2021 and 2020 were in U.S. Government and Municipal Obligations.

NOTE 3 - INVESTMENTS, continued

Interest Rate Risk - The Corporation's investment policies are governed by resolution of the Board of Directors. It is the policy of CTASC to diversify its deposits and investments by maturity scheduling as a means of managing its exposure to fair value losses arising from interest rates.

Fair Value Measurements - Fair values of assets measured on a recurring basis at December 31, 2021 and 2020, are as follows:

	Capital Projects Fund			
	2021		2020	
Investment Description	Cost	Fair Value	Cost	Fair Value
Cash and Cash Equivalents	$ 120,007	$ 120,007	$ 121,546	$ 121,546
U.S. Government Agencies	-	-	-	-
Total Investments	$ 120,007	$ 120,007	$ 121,546	$ 121,546

	Debt Service Fund			
	2021		2020	
Investment Description	Cost	Fair Value	Cost	Fair Value
Cash and Cash Equivalents	$ 161,106	$ 161,106	$ 227,402	$ 227,402
Debt Service -				
U.S. Government Agencies	122,738	122,296	220,751	223,721
Municipal Obligations	1,333,692	1,301,345	920,498	928,523
Mortgage Backed Securities	6,346	6,130	10,747	10,390
U.S. Tax-Exempt Fixed Income	719,556	700,518	885,658	883,552
Total Investments	$ 2,343,438	$ 2,291,395	$ 2,265,056	$ 2,273,588

Credit Quality Ratings - Municipal and Tax-Exempt Obligations - The Corporation invested in various NYS Municipal and Tax-Exempt Obligations during 2021 and 2020. The credit quality rating of these investments as of December 31, 2021 are as follows:

Municipal Obligation	Fair Value	CUSIP No.	Maturity Date	Moody's
New York State Dorm Auth Revenues Higher Education	$ 30,705	64990CFX4	7/1/2023	BAA2
Buffalo & Erie Cnty New York Indl Higher Education	165,312	11943KED0	11/1/2025	BBB
New York City NY Hsg Dev Corp Multifamily Housing Revenue	36,135	64972ELU1	5/1/2026	AA2
New York City NY Hsg Dev Corp Multifamily Housing Revenue	47,132	64972EGF0	11/1/2027	AA2
New York State Transprtn Dev Corp Airport Revenue	29,933	650116BF2	7/1/2030	BAA3
New York City NY Hsg Dev Corp Multifamily Housing Revenue	80,407	64972EQV4	11/1/2032	AA2
Albany New York Muni Wtr Fin Auth Water Revenue	192,296	01244QDA1	12/1/2032	AA
New York City New York Revenue Bonds	336,758	64971XQZ4	8/1/2035	AA1
New York State Dorm Auth Revenues Medical Facilities	38,211	64990CPA3	7/1/2036	AA3
New York State Dorm Auth Revenues Higher Education	55,716	64990CJW2	7/1/2038	A3
New York State Dorm Auth Revenue Bonds	238,901	64990FRB2	2/15/2039	AA2
New York State Mtge Agy Homeowner Single Fam Hsg Rev	49,839	64988YHN0	10/1/2040	AA1
Total municipal obligations	$ 1,301,345			

U.S. Tax-Exempt Fixed Income	Fair Value	CUSIP No.	Maturity Date	Moody's
Jamestown New York City Sch Dist General Obligation	379,669	470592NC6	6/15/2022	A1
Met Transportation Authority New York Revenue Transportation	168,003	59261AE78	2/1/2023	A3
Windham-Ashland-Jewett New York Cent General Obligation	95,354	973258EJ1	6/15/2028	AA
Chautauqua County NY General Obligation	25,900	162541UC8	1/15/2029	A1
Windham-Ashland-Jewett New York Cent General Obligation	31,592	973258EP7	6/15/2033	AA
Total U.S. tax-exempt fixed income	$ 700,518			

The credit quality rating of these investments at December 31, 2020 are as follows:

Municipal Obligation	Fair Value	CUSIP No.	Maturity Date	Moody's
New York State Dorm Auth Revenues Higher Education	$ 30,167	64990CFX4	7/1/2023	Baa2
Buffalo & Erie Cnty New York Indl Higher Education	202,052	11943KED0	11/1/2025	BBB
New York City NY Hsg Dev Corp Multifamily Housing Revenue	37,212	64972ELU1	5/1/2026	AA2
New York State Transprtn Dev Corp Airport Revenue	30,830	650116BF2	7/1/2030	BAA3
New York City New York Revenue Bonds	349,844	64971XQZ4	8/1/2035	AA1
New York State Dorm Auth Revenues Medical Facilities	38,237	64990CPA3	7/1/2036	AA3
New York State Dorm Auth Revenue Bonds	240,181	64990CER8	7/1/2046	AA2
Total municipal obligations	$ 928,523			

U.S. Tax-Exempt Fixed Income	Fair Value	CUSIP No.	Maturity Date	Moody's
Jamestown New York City Sch Dist General Obligation	389,914	470592NC6	6/15/2022	A1
Met Transportation Authority New York Revenue Transportation	169,526	59261AE78	2/1/2023	A3
Windham-Ashland-Jewett New York Cent General Obligation	98,066	973258EJ1	6/15/2028	AA
Met Transportation Authority New York Revenue Transportation	193,714	59261ANN3	11/1/2030	A3
Windham-Ashland-Jewett New York Cent General Obligation	32,332	973258EP7	6/15/2033	AA
Total U.S. tax-exempt fixed income	$ 883,552			

NOTE 4 - PROPERTY, EQUIPMENT AND DEPRECIATION

Property, equipment and depreciation consist of the following:

	Year ended December 31, 2021			
	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities:				
Property and equipment that is depreciated:				
Office improvements	$ 3,277	$ -	$ -	$ 3,277
Furniture and fixtures	30,912	-	-	30,912
Total depreciable historical cost	34,189	-	-	34,189
Less accumulated depreciation:				
Office improvements	3,277	-	-	3,277
Furniture and fixtures	30,912	-	-	30,912
Total accumulated depreciation	34,189	-	-	34,189
Total depreciable historical cost, net	$ -	$ -	$ -	$ -

	Year ended December 31, 2020			
	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities:				
Property and equipment that is depreciated:				
Office improvements	$ 3,277	$ -	$ -	$ 3,277
Furniture and fixtures	30,912	-	-	30,912
Total depreciable historical cost	34,189	-	-	34,189
Less accumulated depreciation:				
Office improvements	3,277	-	-	3,277
Furniture and fixtures	30,912	-	-	30,912
Total accumulated depreciation	34,189	-	-	34,189
Total depreciable historical cost, net	$ -	$ -	$ -	$ -

NOTE 5 - BOND REFINANCING

On November 6, 2014 CTASC refunded the Series 2000 Bonds and reissued Series 2014 Bonds in the amount of $34,765,000. The sale of the bonds provided for the complete refunding of the Series 2000 Bonds, purchase of the Series 2005 S4B Bonds, provided $600,000 of excess proceeds to Chautauqua County for the capital expansion of the Sherman Department of Public Facilities maintenance facility, and created a $120,000 operating reserve. See Note 7.

NOTE 6 - DISCOUNT FEES

The Corporation has incurred discount fees associated with the Series 2014, Series 2005 and Series 2000 Bond issues. These costs are expensed as incurred in the Corporation's governmental fund financial statements. Such discount fees are deferred and amortized over the life of related debt in the government-wide statements. Discount fees for the 2000 Series totaling $155,787 will be amortized over 40 years (9/15/2000 through 8/31/2040). This Series was refinanced on November 6, 2014 and replaced by the Series 2014 Bonds. The discount fees for the 2005 Series totaling $221,944 will be amortized over 21 years (12/01/05 - 11/20/2026). The discount fees for the 2014 Series totaling $495,738 will be amortized over 23 years (11/06/14 - 06/01/2037). This will result in a matching of the amortization of the asset with the related payment of the liability.

Balances at December 31, 2021 are as follows:

	2000 Series Discount Fees	2005 Series Discount Fees	2014 Series Discount Fees
Cost	$ -	$ 221,944	$ 495,738
Less: Accumulated Amortization	-	170,979	153,790
Net	$ -	$ 50,965	$ 341,948

Balances at December 31, 2020 are as follows:

	2000 Series Discount Fees	2005 Series Discount Fees	2014 Series Discount Fees
Cost	$ -	$ 221,944	$ 495,738
Less: Accumulated Amortization	-	160,403	131,820
Net	$ -	$ 61,541	$ 363,918

NOTE 7 - BONDS PAYABLE

SERIES 2014 BONDS

Overview

As stated above the Series 2014 Bond was created in the refinancing of the 2000 Series Bonds.

The Series 2014 Bonds are issued in fully registered form in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC") who acts as Securities Depository for the Series 2014 Bonds. Individual purchases are in book-entry form only, in the principal amount of $5,000, or integral multiples thereof. Purchasers do not receive certificates representing their ownership interest in the Series 2014 Bonds.

Interest on the Series 2014 Bonds is payable semi-annually on June 1 and December 1 in each year until maturity or prior redemption. Principal and interest on the Series 2014 Bonds will be paid by the Indenture Trustee to DTC which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Series 2014 Bonds.

Security for the Series 2014 Bonds

Pursuant to a Purchase and Sale Agreement, dated September 1, 2000 (the "TSR Purchase Agreement"), the County sold to CTASC all of its rights, title and interest under the MSA and the Decree, including the County's right to be paid its portion of the State of New York's (the "State") allocable shares of future initial Payments and Annual Payments under the MSA (the "Tobacco Settlement Revenues").

Debt Service Reserve Account

Under the Indenture, the Indenture Trustee has established and holds a Debt Service Reserve Account which is funded from Series 2014 Bond proceeds. Except after an Event of Default, CTASC is required to maintain a balance in the Debt Service Reserve Account to the extent of available funds equal to the maximum annual debt service on the Series 2014 Bonds in the current year or any future year. The amount in this account at December 31, 2021 and 2020 was $2,291,395 and $2,273,588, respectively.

Maturity

The following is a summary of maturity of indebtedness:

Description of Issue	Issue Date	Final Maturity	Interest Rate	Outstanding at December 31, 2021
Serial Bonds	11/6/2014	6/1/2037	3.125 - 5.000%	$ 29,275,000

The following is a summary of maturing debt service requirements for the year ending December 31:

Year	Principal	Interest	Total
2022	$ 1,595,000	$ 1,407,900	$ 3,002,900
2023	1,180,000	1,338,525	2,518,525
2024	1,235,000	1,278,150	2,513,150
2025	1,305,000	1,214,650	2,519,650
2026	1,380,000	1,147,525	2,527,525
2027 - 2031	8,130,000	4,618,019	12,748,019
2032 - 2036	10,615,000	2,341,319	12,956,319
2037	3,835,000	95,875	3,930,875
	$ 29,275,000	$ 13,441,963	$ 42,716,963

NOTE 7 - BONDS PAYABLE, continued

The Series 2014 Bonds consist of various Term and Serial Bonds with varying maturity dates. The following is a summary of the maturing debt service requirements that make up the Series 2014 Bonds.

The 2022 Turbo Term Bond tranche was paid off during 2016 with proceeds from the New York State NPM Settlement. This tranche was expected to mature in June 1, 2020 and interest rates varied from 4.00% to 5.00%.

The Serial Bond tranche was paid off during 2020. This tranche matured on June 1, 2020 and interest rates varied from 4.00% to 5.00%.

2029 Turbo Term Bond

Year	Principal	Interest	Total
2022	$ 1,595,000	$ 121,625	$ 1,716,625
2023	1,180,000	52,250	1,232,250
2024	455,000	11,375	466,375
	$ 3,230,000	$ 185,250	$ 3,415,250

2034 Turbo Term Bond

Year	Principal	Interest	Total
2022	$ -	$ 282,500	$ 282,500
2023	-	282,500	282,500
2024	780,000	263,000	1,043,000
2025	1,305,000	210,875	1,515,875
2026	1,380,000	143,750	1,523,750
2027 - 2029	2,185,000	91,125	2,276,125
	$ 5,650,000	$ 1,273,750	$ 6,923,750

2039 Turbo Term Bond

Year	Principal	Interest	Total
2022	$ -	$ 303,525	$ 303,525
2023	-	303,525	303,525
2024	-	303,525	303,525
2025	-	303,525	303,525
2026	-	303,525	303,525
2027 - 2031	5,945,000	1,025,644	6,970,644
2032	445,000	10,569	455,569
	$ 6,390,000	$ 2,553,838	$ 8,943,838

2048 Turbo Term Bond

Year	Principal	Interest	Total
2022	$ -	$ 700,250	$ 700,250
2023	-	700,250	700,250
2024	-	700,250	700,250
2025	-	700,250	700,250
2026	-	700,250	700,250
2027 - 2031	-	3,501,250	3,501,250
2032 - 2036	10,170,000	2,330,750	12,500,750
2037	3,835,000	95,875	3,930,875
	$ 14,005,000	$ 9,429,125	$ 23,434,125

NOTE 7 - BONDS PAYABLE, continued

SERIES 2005 BONDS

Overview

The New York Counties Tobacco Trust V issued $202,792,505 aggregate principal amount of Tobacco Settlement Pass-Through Bonds in four series. These Series 2005 NYCTT Bonds represent direct, pass-through interest in corresponding bonds of certain series of tobacco settlement asset-backed bonds issued by one or more of the 24 tobacco asset securitization corporations ("TASC") of which CTASC is one. These bonds are subordinate to the Series 2014 bonds discussed above.

There are not scheduled payments of principal or interest on the Series 2005 NYCTT Bonds other than on their respective maturity dates because the bonds are Capital Appreciation Bonds. All interest accretes until both principal and accreted interest is paid. Turbo (accelerated) amortization payments are required to be made against the outstanding principal providing that CTASC receives sufficient TSR's to make the Turbo payments. Since there is no certainty that CTASC will receive sufficient TSR's to make these Turbo payments, the outstanding amount of the bonds and the related discount have not been reduced on the statements of net deficits.

Security for the Series 2005 Bonds

In order to secure payment of its prior bonds and Series 2005 TASC Bonds, each TASC has pledged to the TASC Trustee all of the TASC's rights, title, and interest whether now owned or hereafter acquired, in (i) the TSR Purchase Agreement and the TSR's (ii) the Pledged Series 2005 Accounts, and all investment earnings on amounts on deposit in or credited to the Pledged Series 2005 Accounts; and (iii) all present and future claims, demands, and causes in action in respect to the foregoing.

Series 2005 Bond Fund

A Series 2005 Bond Fund will be established with the Trustee and money will be deposited therein as provided in the Series 2005 Supplemental Indenture. The money in the Bond Fund will be held in trust and, except as otherwise provided in the Series 2005 Supplemental Indenture, will be applied solely to the payment of Debt Service. The Series 2005 Bond Fund includes a Series 2005 Turbo Redemption Account, a Series 2005 Lump Sum Redemption Account and a Series 2005 Extraordinary Payment Account.

Maturity

CTASC originally issued bonds out of three series of the 2005 issuances. As described in Note 5 above, the Series S4B tranche was repurchased during 2014 in the refinancing of CTASC's debt. The total bonds issued and their terms are summarized as follows:

Series	Issuance Amount	Maturity Amount	Interest Rate	Maturity
Series S2	$ 2,400,150	$ 3,481,000	6.10%	June 1, 2050
Series S3	$ 1,820,337	$ 51,090,000	6.85%	June 1, 2055

What follows is a schedule of Projected TASC Turbo Redemption Payments for the portion of the bonds attributable to CTASC. Although not mandatory redemptions, these are the redemptions originally anticipated based upon projected cash flows. Because these bonds are capital appreciation bonds, there is no differentiation between principal and interest with respect to each payment.

Year	Series 2005 S2	Series 2005 S3	Total
2037	$ 1,016,494	$ -	$ 1,016,494
2038	2,601,330	-	2,601,330
2039	2,604,935	-	2,604,935
2040	2,607,262	-	2,607,262
2041	885,066	1,729,291	2,614,357
2042	-	2,616,311	2,616,311
2043	-	2,620,363	2,620,363
2044	-	2,624,178	2,624,178
2045	-	2,625,985	2,625,985
2046	-	2,628,973	2,628,973
2047	-	2,631,269	2,631,269
2048	-	2,630,497	2,630,497
2049	-	2,636,862	2,636,862
2050	-	2,652,770	2,652,770
2051	-	2,005,028	2,005,028
	$ 9,715,087	$ 27,401,527	$ 37,116,614

NOTE 8 - EQUITY CLASSIFICATIONS

A. Government-wide Statements

In the entity-wide statements, there are three classes of net assets:

Net Investment in Capital Assets - This class consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvements of these assets.

Restricted Net Assets - Restricted net assets report constraints placed on assets that are either legally imposed by creditors (such as through covenants), grantors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Restrictions of net assets have been recorded in the entity-wide financial statements of the Corporation at December 31, 2021 and 2020 as follows:

Restricted for Capital - represents resources that are committed for future transfers to the CTASC Residual Trust.

Restricted for Debt Service - represents resources that are committed to retiring the outstanding obligations of the corporation.

Unrestricted Net Assets - Designations are not legally required restrictions, but are segregated for a specific purpose. At December 31, 2021 and 2020, the Corporation had not designated any unrestricted net assets. The unrestricted net deficit balance represents the outstanding bond liability to be paid off with future rights to receive tobacco revenues.

B. Fund Statements

In the fund basis statements there are five classifications of fund balance:

Non-Spendable - includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The Corporation did not have any nonspendable fund balance at December 31, 2021 and 2020.

Restricted - includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The Corporation has established the following restricted fund balances.

Restricted For Capital - represents resources that are restricted for future transfers to the CTASC Residual Trust.

Restricted For Debt Service - represents resources that are contractually committed to the retirement of outstanding debt

Committed - includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the Corporation's highest level of decision making authority, i.e., the Board of Directors. At December 31, 2021 and 2020 the Corporation did not have any committed fund balances.

Assigned - includes amounts that are constrained by the Corporation's intent to be used for specific purposes, but are neither restricted nor committed. The Corporation did not have any assigned fund balances at December 31, 2021 or 2020.

Unassigned - includes all other General Fund net assets that do not meet the definition of the above four classifications and are deemed to be available for general use by the Corporation.

Order of Use of Fund Balance - The Corporation's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined.

NOTE 9 - TOBACCO SETTLEMENT REVENUE

During the year ended December 31, 2017, pursuant to New York's NPM Settlement with the MSA participating manufacturers (PMs), the PMs are entitled to a credit against their annual payments based on volume of nontaxed Native American cigarettes sold each year. This year the PMs are entitled to a credit against their 2017 payments for 2015 tribal sales. The total amount that was required to be returned by CTASC pertaining to this credit was $52,141.

NOTE 10 - INTERFUND TRANSACTIONS

The operations of the Corporation give rise to certain transactions between funds. Net interfund transfers of $2,272,837 and $2,105,614 were made between the governmental funds primarily for debt service during 2021 and 2020, respectively.

NOTE 11 - OPERATING LEASE

CTASC entered into a three-year operating lease with Chautauqua County for office space for the period January 1, 2020 through December 31, 2022. Annual rents amounted to $11,000 for the years ended December 31, 2021 and 2020, respectively.

NOTE 12 - RELATED PARTY TRANSACTIONS

As part of the purchase price of the Master Settlement Agreement ("MSA"), CTASC has created a residual trust that is funded by Tobacco Settlement Revenues received by CTASC that are not required to pay expenses, debt service or required reserves with respect to the Series 2000 and Series 2014 Bonds. During the years ended December 31, 2021 and 2020, no residual proceeds were transferred to the trust. The County appoints the governing board of CTASC but is not responsible for the operations of the Corporation.

Chautauqua County provides CTASC financial services. Payments to Chautauqua County for services rendered totaled $5,000 for each of the years ended December 31, 2021 and December 31, 2020.

NOTE 13 - ECONOMIC DEPENDENCY

The primary security and source of payments for the principal and interest on the Series 2000 and Series 2014 Bonds is Tobacco Settlement Revenues pursuant to the Master Settlement Agreement and the decree. The Tobacco Settlement Revenues are primarily dependent upon the volume of cigarettes shipped in the United States, which is primarily a function of domestic cigarette consumption.

NOTE 14 - CONTINGENCIES

Future tobacco settlement revenues are subject to adjustment based upon tobacco consumption, inflation and other potential reductions. Pursuant to the Purchase and Sales Agreement these adjustments and other events could trigger additional debt service reserve requirements.

Certain smokers, smokers' rights organizations, consumer groups, cigarette importers, cigarette distributors, cigarette manufacturers, Native American tribes, taxpayers, taxpayers' groups and other parties have filed actions against some, and in certain cases all, of the signatories of the MSA. In the event of an adverse court ruling in such types of litigation, Bondholders could incur a complete loss of their investments.

NOTE 15 - COVID 19 PANDEMIC

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures of certain types of businesses.

The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economy. It is unknown how long these conditions will last and what the complete financial effect will be on the Corporation.

NOTE 16 - SUBSEQUENT EVENTS

Events and transactions which have occurred from December 31, 2021 through February 15, 2022, the date of these financial statements, have been evaluated by management for the purpose of determining whether there were any events that might require disclosure in these financial statements.

JMA

JOHNSON, MACKOWIAK
& ASSOCIATES, LLP
Certified Public Accountants & Consultants

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*

To the Board of Directors
Chautauqua Tobacco Asset Securitization Corporation
3163 Airport Drive
Jamestown, New York 14701

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Chautauqua Tobacco Asset Securitization Corporation ("CTASC"), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise CTASC's basic financial statements and have issued our report thereon dated February 15, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CTASC'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 CTASC's internal control. Accordingly, we do not express an opinion on the effectiveness of CTASC'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 statement 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether CTASC's financial statements are free of 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.

Johnson, Mackowiak & Associates, LLP

JOHNSON, MACKOWIAK & ASSOCIATES, LLP

Fredonia, New York
February 15, 2022

JOHNSON, MACKOWIAK
& ASSOCIATES, LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SECTION 2925(3)(f) OF THE NEW YORK STATE PUBLIC AUTHORITIES LAW

To the Board of Directors
Chautauqua Tobacco Asset Securitization Corporation
3163 Airport Drive
Jamestown, New York 14701

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the financial statements of the governmental activities and each major fund of Chautauqua Tobacco Asset Securitization Corporation ("CTASC"), as of and for the years ended December 31, 2021 and December 31, 2020, and the related notes to the financial statements, which collectively comprise CTASC's basic financial statements and have issued our report thereon dated February 15, 2022.

In connection with our audit, nothing came to our attention that caused us to believe that CTASC failed to comply with Section 2925(3)(f) of the New York State Public Authorities Law regarding investment guidelines during the years ended December 31, 2021 and December 31, 2020. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding CTASC's noncompliance with the above rules and regulations.

The purpose of this report is solely to describe the scope and results of our testing. This communication is not suitable for any other purpose.

Johnson, Mackowiak & Associates, LLP

JOHNSON, MACKOWIAK & ASSOCIATES, LLP

Fredonia, New York
February 15, 2022

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