

**TOMPKINS TOBACCO ASSET  
SECURITIZATION CORPORATION**

**Ithaca, New York**

**FINANCIAL REPORT**

**December 31, 2011**

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION  
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FOR THE YEAR ENDED DECEMBER 31, 2011

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John H. Dietershagen, C.P.A.  
Jerry E. Mickelson, C.P.A.  
Thomas K. Van Derzee, C.P.A.  
Debbie Conley Jordan, C.P.A.  
Patrick S. Jordan, C.P.A.  
Duane R. Shoen, C.P.A.  
Lesley L. Horner, C.P.A.  
D. Leslie Spurgin, C.P.A.

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## Ciaschi • Dietershagen • Little • Mickelson & Company, LLP

*Certified Public Accountants and Consultants*

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Frederick J. Ciaschi, C.P.A.

### INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Tompkins Tobacco Asset  
Securitization Corporation  
Ithaca, New York

We have audited the accompanying financial statements of the governmental activities and the major fund of the Tompkins Tobacco Asset Securitization Corporation, a component unit of the County of Tompkins, as of and for the year ended December 31, 2011, which collectively comprise the Corporation's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Tompkins Tobacco Asset Securitization Corporation's management. Our responsibility is to express opinions on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and fund information of the Tompkins Tobacco Asset Securitization Corporation, as of December 31, 2011, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

During the year ended December 31, 2011, the Tompkins Tobacco Asset Securitization Corporation implemented Governmental Accounting Standards Board Statement Number 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2012 on our consideration of the Tompkins Tobacco Asset Securitization Corporation's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered assessing the results of our audit.

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#### CORTLAND

39 Church Street  
Cortland, New York 13045  
607-753-7439  
fax 607-753-7874

#### ITHACA

401 East State Street ~ Suite 500  
Ithaca, New York 14850  
607-272-4444  
fax 607-273-8372  
[www.cdlim.com](http://www.cdlim.com)

#### WATKINS GLEN

108 West Fourth Street  
Watkins Glen, New York 14891  
607-535-4443  
fax 607-535-6220

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 2 through 2d 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.

*Cianchi, Stutzman, Little, McKeown, & Company, LLP*

February 23, 2012  
Ithaca, New York

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011

The following is a discussion and analysis of the Tompkins Tobacco Asset Securitization Corporation's (the Corporation) financial performance for fiscal years ended December 31, 2011 and 2010. 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 \$(10,068,392) showed an increase of \$294,487 in 2011, from \$(9,773,905) in 2010.
- Total fund balance of \$1,325,122 showed a decrease of \$(27,802) in 2011, from \$1,352,924 in 2010.

**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 Assets 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 Assets and Statement of Activities Columns

The Statement of Net Assets 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 Assets 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.

These two columns in the basic financial statements report the Corporation's net assets and how they have changed. Net assets - the difference between the Corporation's assets and liabilities - are one way to measure the Corporation's financial health or position. Over time, increases or decreases in the Corporation's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.

Governmental Fund Type Columns

The Governmental Fund type columns are accounting devices the Corporation uses to keep track of specific sources of funding and spending. The Corporation's basic services are included in Governmental Funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the Governmental 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 Assets and Statement of Activities columns, additional information in the notes to the financial statements explains the relationship (or differences) between them.

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2011

**FINANCIAL ANALYSIS OF THE CORPORATION AS A WHOLE**

The Corporation's total net assets for fiscal years ended December 31, 2011 and 2010 changed by \$(294,487) and \$(285,124), respectively. Our analysis below focuses on the net assets (Figure 1) and changes in net assets (Figure 2) of the Corporation's Governmental Activities.

**Figure 1**

**Condensed Statement of Net Assets**

Condensed Statement of Net Assets	Governmental Activities and Total Corporation		Total Dollar Change
	2010	2011	2010 - 2011
Current assets	\$ 703,140	\$ 675,338	\$ (27,802)
Noncurrent assets	781,034	773,823	(7,211)
<b>Total assets</b>	<b>1,484,174</b>	<b>1,449,161</b>	<b>(35,013)</b>
Current liabilities	398,493	557,853	159,360
Noncurrent liabilities	10,859,586	10,959,700	100,114
<b>Total liabilities</b>	<b>11,258,079</b>	<b>11,517,553</b>	<b>259,474</b>
Restricted for debt service	651,628	653,296	1,668
Unrestricted net (deficit)	(10,425,533)	(10,721,688)	(296,155)
<b>Total net (deficit)</b>	<b>\$ (9,773,905)</b>	<b>\$ (10,068,392)</b>	<b>\$ (294,487)</b>

The decrease in current assets is primarily due to a decrease in accrued tobacco settlement receipts of \$(42,000), an increase in cash of \$14,287, and a decrease in prepaid expenses of \$(89) in 2010.

The decrease in noncurrent assets is primarily due to the amortization of bond issue costs. The current portion of bonds payable increased due to the scheduled debt amortization, and due to shortfalls in debt payments from 2010 and 2011. The increase in noncurrent liabilities is primarily due to the accretion of interest on 2005 TASC bonds of \$371,163 offset by the repayment of bonds totaling \$125,000.

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

**Figure 2**

**Change in Net Assets**

Changes in Net Assets	Governmental Activities and Total Corporation		Total Dollar Change
	2010	2011	2010 - 2011
Revenues:			
Tobacco settlement receipts	\$ 543,959	\$ 542,928	\$ (1,031)
Interest income	375	258	(117)
<b>Total revenues</b>	<b>544,334</b>	<b>543,186</b>	<b>(1,148)</b>
Expenses:			
Insurance expense	4,488	4,372	(116)
Professional fees	25,227	25,323	96
Interest expense	774,315	790,502	16,187
Amortization of bond issuance costs	7,211	7,211	-0-
Other expenses	2,135	265	(1,870)
Transfer to Tompkins County	16,082	10,000	(6,082)
<b>Total expenses</b>	<b>829,458</b>	<b>837,673</b>	<b>8,215</b>
<b>(DECREASE) IN NET ASSETS</b>	<b>\$ (285,124)</b>	<b>\$ (294,487)</b>	<b>\$ (9,363)</b>

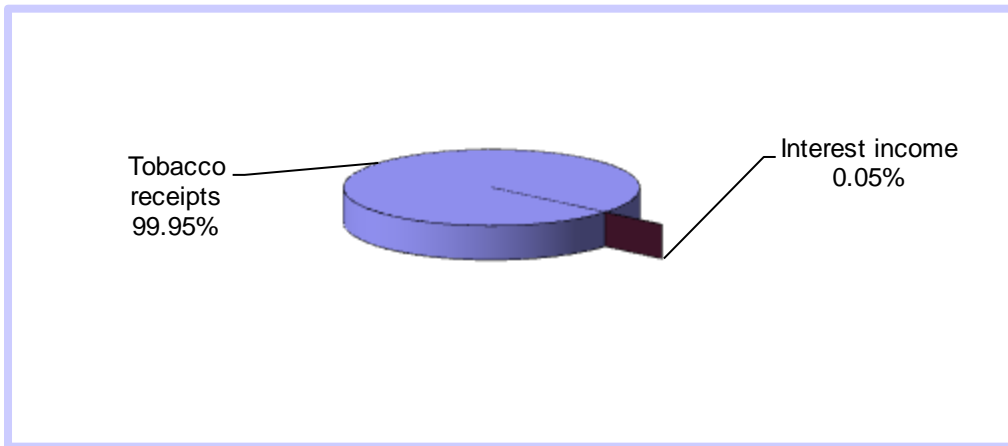
TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2011

Total revenue remained stable in 2011, compared to 2010. The amount accrued in 2010 for the April 2011 payment was higher than the actual payment. Total expenses increased 1.0 percent, due to an increase in interest expense.

Figures 3 and 4 present the sources of revenue for 2011 and 2010.

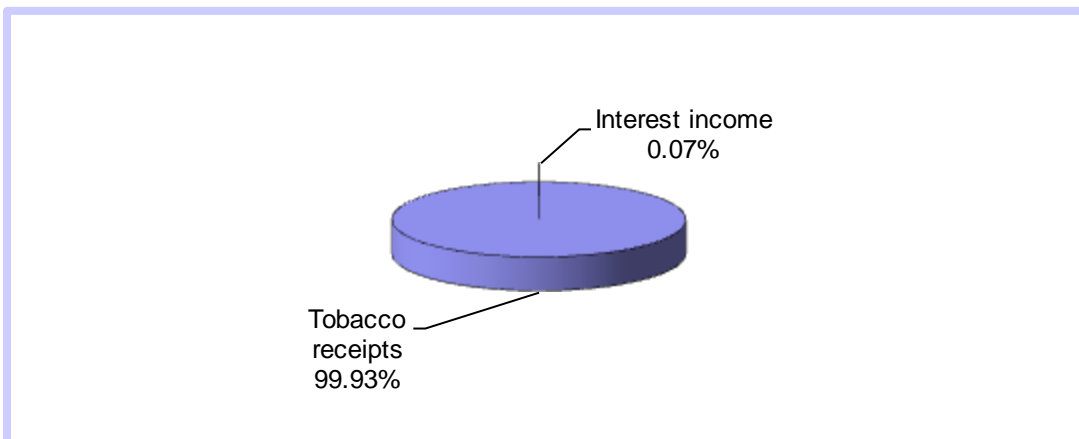
**Figure 3**

**Sources of Revenue for 2011**



**Figure 4**

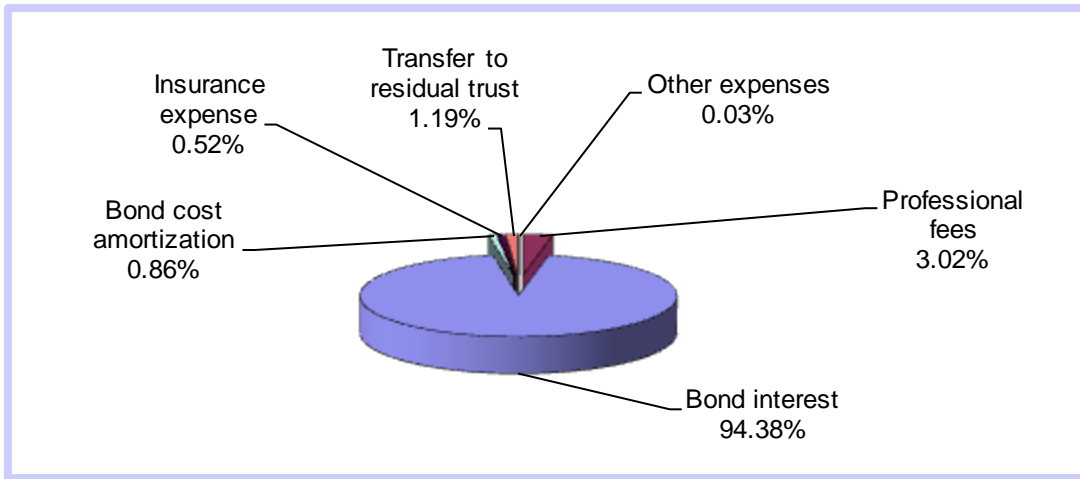
**Sources of Revenue for 2010**



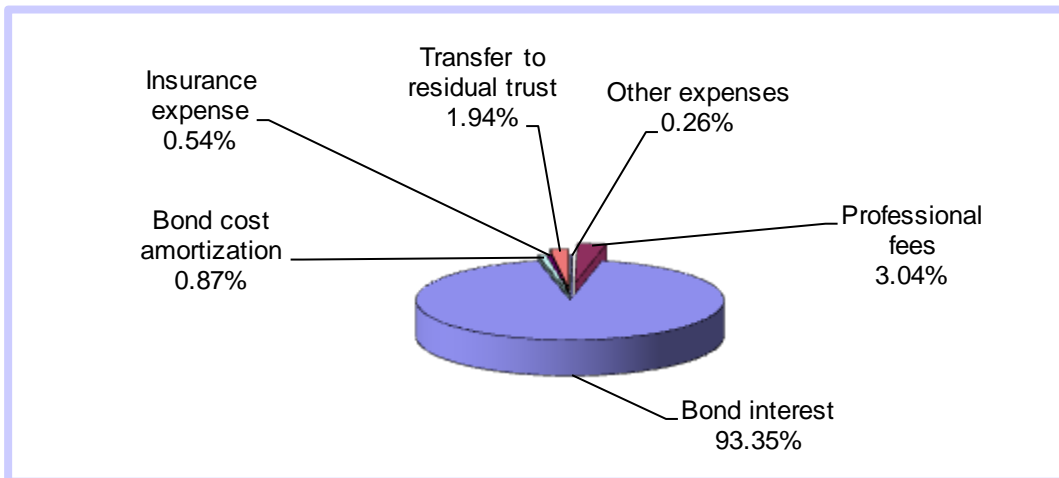
TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2011

Figures 5 and 6 present the expenses of the Corporation for the years ended December 31, 2011 and 2010.

**Figure 5**  
**Expenses 2011**



**Figure 6**  
**Expenses 2010**





TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2011

**FINANCIAL ANALYSIS OF THE CORPORATION'S FUNDS**

Figure 7 shows the changes in debt service fund balance for the year. As the Corporation completed the year, its Governmental Fund, as presented in the basic financial statements, reported a combined fund balance of \$1,325,122 and \$1,352,924 for 2011 and 2010, respectively.

**Figure 7**

**Governmental Fund Balances - Major Funds**

Governmental Fund Balances	Governmental		Total Dollar Change
	2010	2011	2010 - 2011
General Fund	\$ 1,352,924	\$ 1,325,122	\$ (27,802)

**DEBT ADMINISTRATION**

Debt, considered a liability of governmental activities, increased by \$260,114 in 2011, as shown in Figure 8. This increase was due to the accretion of interest on the 2005 issue, offset by principal payments on the 2000 issue.

**Figure 8**

**TASC Bonds**

Outstanding Debt	Governmental Activities		Total Dollar Change
	2010	2011	2010 - 2011
Bonds payable, net	\$ 11,225,634	\$ 11,485,748	\$ 260,114

During 2011 and 2010, the Corporation did not receive adequate tobacco settlement receipts to cover the turbo redemption payment on the serial bonds by \$145,000 and \$110,000, 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 \$255,000 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 of the Corporation. 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 2012, the Corporation has budgeted a transfer of \$18,000 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 ASSETS  
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Governmental Fund Type General	Adjustments	Statement of Net Assets
<b><u>ASSETS</u></b>			
Current Assets:			
Cash and cash equivalents	\$ 93,257	\$	\$ 93,257
Restricted cash and cash equivalents, current	3,512		3,512
Accrued tobacco settlement receipts	575,000		575,000
Prepaid expenses	3,569		3,569
Total Current Assets	675,338	-0-	675,338
Restricted cash and cash equivalents, noncurrent	649,784		649,784
Bond issuance and closing costs, net		124,039	124,039
Total Assets	\$ 1,325,122	124,039	1,449,161
<b><u>LIABILITIES</u></b>			
Current Liabilities:			
Accrued interest payable	\$	31,805	31,805
Current portion of bonds payable, net		526,048	526,048
Total Current Liabilities	-0-	557,853	557,853
Accreted interest on Series 2005 Bonds		1,858,166	1,858,166
Bonds payable, net		9,101,534	9,101,534
Total Liabilities	-0-	11,517,553	11,517,553
<b><u>FUND BALANCE/NET ASSETS</u></b>			
Fund Balance:			
Restricted for debt service	653,296	(653,296)	
Unassigned	671,826	(671,826)	
Total Fund Balance	1,325,122	(1,325,122)	-0-
Net assets:			
Restricted for debt service		653,296	653,296
Unrestricted		(10,721,688)	(10,721,688)
Total Net Assets	-0-	(10,068,392)	(10,068,392)
Total Fund Balance/Net Assets	\$ 1,325,122	\$ (11,393,514)	\$ (10,068,392)

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, 2011

	Governmental Fund Type		Statement of
	<u>General</u>	<u>Adjustments</u>	<u>Activities</u>
Revenue:			
Tobacco settlement receipts	\$ 542,928	\$	\$ 542,928
Interest income	<u>258</u>		<u>258</u>
 Total Revenues	 <u>543,186</u>	 <u>-0-</u>	 <u>543,186</u>
 Expenditures/Expenses:			
Insurance expense	4,372		4,372
Professional fees	25,323		25,323
Debt service	531,028	259,474	790,502
Amortization of bond issuance and closing costs		7,211	7,211
Other expenditures/expenses	265		265
Transfer to residual trust	<u>10,000</u>		<u>10,000</u>
 Total Expenditures/Expenses	 <u>570,988</u>	 <u>266,685</u>	 <u>837,673</u>
 Excess of (Expenditures/Expenses)	 <u>(27,802)</u>	 <u>(266,685)</u>	 <u>(294,487)</u>
 Fund Balance/Net Assets, January 1,	 <u>1,352,924</u>	 <u>(11,126,829)</u>	 <u>(9,773,905)</u>
 Fund Balance/Net Assets, December 31,	 <u>\$ 1,325,122</u>	 <u>\$ (11,393,514)</u>	 <u>\$ (10,068,392)</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, 2011

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). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. 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.

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.

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2011

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 Assets and Statement of Activities.)

The Statement of Net Assets 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 assets 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 - the principal operating fund which includes all operations not required to be recorded in other funds.

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 Assets 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.

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2011

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in Governmental Funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

D. Equity Classifications

- **Restricted Net Assets/Restricted Fund Balance**  
Consists of net assets 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 Assets/Unassigned Fund Balance**  
Consists of all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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 Columns and the Statement of Net Assets 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 Assets 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 Assets of Governmental Activities

Total fund balance of the Corporation's Governmental Fund differs from "net assets" of Governmental Activities reported in the Statement of Net Assets. This difference primarily results from the additional long-term economic focus of the Statement of Net Assets versus the solely current financial resources focus of the Governmental Fund Balance Sheet.

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

Total fund balance as reported in the Governmental Fund type column	\$ 1,325,122
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Long-term liabilities are reported in the Statement of Net Assets, but not in the Governmental Funds, because they are not due and payable in the current period. Balances at year end were:

Bonds payable	\$ (9,844,440)	
Less unamortized discount	216,858	
Add accreted amount on Series 2005 Bonds	(1,858,166)	
Addition of long-term liabilities		(11,485,748)

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2011

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

Accrued interest payable	(31,805)
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Bond issuance and closing costs are reported in the Statement of Net Assets, but not in the governmental funds because they are not due and receivable in the current period. The balance of unamortized bond issuance and closing costs at year end was:

Unamortized bond issuance and closing costs	124,039
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Total Net Assets as Reported in the Statement of Net Assets	\$ (10,068,392)
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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 Assets.

Total Expenditures/Expenses and Other Financing Uses as reported in the Governmental Fund Type column	\$ 570,988
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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.

	384,474
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Amortization of bond issuance and closing costs and the bond discount are recorded as expenditures in the Statement of Activities. However, these expenditures are recorded when incurred in the Governmental Fund.

	7,211
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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 Assets, and does not affect the Statement of Activities.

	(125,000)
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Total Expenses of Governmental Activities in the Statement of Activities	\$ 837,673
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There were no differences in revenues in 2011.

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011, total cash and cash equivalents aggregated \$746,553, which is the same as the bank balance.

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 represent amounts held in a mandated TASC liquidity reserve as required, in the amount of \$653,296, which is held in trust and also amounts in the debt service and bond trapping accounts. 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, 2011:

<u>Description of Issue</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding December 31, 2011</u>
Series 2000 Tobacco Settlement Pass-through Bonds	12/00	6/25	5.25% - 6.30%	\$ 6,210,000
Less: Unamortized Bond Discount				<u>(149,043)</u>
Carrying Value of Series 2000 Tobacco Settlement Pass-through Bonds				<u>6,060,957</u>
Series 2005 Tobacco Settlement Pass-through Bonds	11/05	6/60	6.0% - 7.85%	3,634,440
Less: Unamortized Bond Discount				(67,815)
Add: Addition to Accreted Value				<u>1,858,166</u>
Carrying Value of Series 2005 Tobacco Settlement Pass-through Bonds				<u>5,424,791</u>
Total Carrying Value of Pass-through Bonds				<u>\$ 11,485,748</u>



TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2011

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

Interest paid	\$ 406,028
Less: Interest accrued in the prior year	(32,445)
Plus: Interest accrued in the current year	31,805
Amortization of bond discount	13,951
Addition to accreted value of Series 2005 bonds	<u>371,163</u>
Total Expense	<u>\$ 790,502</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	\$ 9,969,440	\$	\$ (125,000)	\$ 9,844,440	\$ 540,000
Less: Bond discount	(230,809)		13,951	(216,858)	(13,952)
Add: Addition to accreted interest	<u>1,487,003</u>	<u>371,163</u>		<u>1,858,166</u>	
Total Bonds Payable	<u>\$ 11,225,634</u>	<u>\$ 371,163</u>	<u>\$ (111,049)</u>	<u>\$ 11,485,748</u>	<u>\$ 526,048</u>

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

	Principal	Interest	Total
2012	\$ 540,000	\$ 377,584	\$ 917,584
2013	300,000	359,553	659,553
2014	320,000	340,109	660,109
2015	325,000	319,599	644,599
2016	355,000	297,824	652,824
2017-2021	2,415,000	1,070,169	3,485,169
2022-2025	<u>1,955,000</u>	<u>208,521</u>	<u>2,163,521</u>
Total	<u>\$ 6,210,000</u>	<u>\$ 2,973,359</u>	<u>\$ 9,183,359</u>

The Series 2005 bonds are as follows:

Description of Issue	Issue Date	Final Maturity	Interest Rate	Principal
Series 2005 S1 Capital Appreciation Bond	11/05	6/38	6.00%	\$ 1,147,462
Series 2005 S2 Capital Appreciation Bond	11/05	6/50	6.10%	753,624
Series 2005 S3 Capital Appreciation Bond	11/05	6/55	6.85%	448,938
Series 2005 S4B Capital Appreciation Bond	11/05	6/60	7.85%	<u>1,284,416</u>
Total				<u>\$ 3,634,440</u>

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2011

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.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 53,421	\$ 40,285	\$ 93,706
2016	143,433	123,490	266,923
2017-2021	783,758	965,961	1,749,719
2022-2026	986,921	2,182,238	3,169,159
2027-2031	877,304	4,019,228	4,896,532
2032-2036	579,040	4,599,626	5,178,666
2037-2039	<u>210,563</u>	<u>2,303,032</u>	<u>2,513,595</u>
Expected Total Debt Service	<u>\$ 3,634,440</u>	<u>\$ 14,233,860</u>	<u>\$ 17,868,300</u>

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

	<u>Amount of Yearly Accretion And Amortization of Bond Discount</u>
2011	\$
2012	343,654
2013	405,793
2014	433,959
2015	461,448
2016	482,083
2017-2021	2,658,749
2022-2026	3,091,254
2027-2031	2,684,766
2032-2036	1,604,218
2037-2039	<u>209,770</u>
Total Accretion	12,375,694
Accumulated accretion	1,858,166
Principal	<u>3,634,440</u>
Expected Total Debt Service	<u>\$ 17,868,300</u>

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John H. Dietershagen, C.P.A.  
Jerry E. Mickelson, C.P.A.  
Thomas K. Van Derzee, C.P.A.  
Debbie Conley Jordan, C.P.A.  
Patrick S. Jordan, C.P.A.  
Duane R. Shoen, C.P.A.  
Lesley L. Horner, C.P.A.  
D. Leslie Spurgin, C.P.A.

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**Ciaschi • Dietershagen • Little • Mickelson  
& Company, LLP**

*Certified Public Accountants and Consultants*

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Frederick J. Ciaschi, C.P.A.

**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 the basic financial statements of the governmental activities and the major fund of the Tompkins Tobacco Asset Securitization Corporation, a component unit of the County of Tompkins, as of and for the year ended December 31, 2011, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated February 23, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Tompkins Tobacco Asset Securitization Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tompkins Tobacco Asset Securitization Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Tompkins Tobacco Asset Securitization Corporation's internal control over financial reporting.

*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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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**CORTLAND**

39 Church Street  
Cortland, New York 13045  
607-753-7439  
fax 607-753-7874

**ITHACA**

401 East State Street ~ Suite 500  
Ithaca, New York 14850  
607-272-4444  
fax 607-273-8372  
[www.cdlim.com](http://www.cdlim.com)

**WATKINS GLEN**

108 West Fourth Street  
Watkins Glen, New York 14891  
607-535-4443  
fax 607-535-6220

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tompkins Tobacco Asset Securitization Corporation's basic 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*.

This information is intended solely for the use of the Board of Directors, Audit Committee, and management of the Tompkins County Tobacco Securitization Corporation and is not intended to be and should not be used by anyone other than these specified parties.

*Cianchi, Nutcracker, Little, Middleman, & Company, LLP*

February 23, 2012  
Ithaca, New York