

**TOMPKINS TOBACCO ASSET  
SECURITIZATION CORPORATION**

**Ithaca, New York**

**FINANCIAL REPORT**

**December 31, 2009**

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION  
TABLE OF CONTENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

Independent Auditor's Report .....	1
Required Supplementary Information:	
Management's Discussion and Analysis .....	2-2e
Audited Financial Statements:	
Governmental Fund Balance Sheet/Statement of Net Assets .....	3
Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities .....	4
Notes to Financial Statements .....	5-12
Report Required Under Government Auditing Standards:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	13-14

---

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.

---



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

*Certified Public Accountants and Consultants*

---

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 fund information of the Tompkins Tobacco Asset Securitization Corporation, a component unit of the County of Tompkins, as of and for the year ended December 31, 2009, 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, 2009, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2010 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.

The Management's Discussion and Analysis on pages 2-2e is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Ciaschi, Dietershagen, Little, Mickelson & Co., LLP*

March 22, 2010  
Ithaca, New York

---

**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.cdln.com](http://www.cdln.com)

---

**WATKINS GLEN**

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

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009

The following is a discussion and analysis of the Tompkins Tobacco Asset Securitization Corporation's (TTASC) financial performance for fiscal years ended December 31, 2009 and 2008. 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 Assets of \$(9,488,781) showed a decrease of \$(124,012) in 2009, from \$(9,364,769) in 2008.
- Total fund balance of \$1,420,826 showed a decrease of \$(280,707) in 2009, from \$1,701,533 in 2008.

**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, 2009

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

The Corporation's total net assets for fiscal years ended December 31, 2009 and 2008 changed by \$(124,012) and \$(32,612), 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**

<b>Condensed Statement of Net Assets</b>	<b>Governmental Activities and Total Corporation</b>		<b>Total Dollar Change</b>
	<b>2008</b>	<b>2009</b>	<b>2008 - 2009</b>
<i>Current assets</i>	\$ 1,043,773	\$ 771,042	\$ (272,731)
<i>Noncurrent assets</i>	803,430	788,243	(15,187)
<b>Total assets</b>	<b>1,847,203</b>	<b>1,559,285</b>	<b>(287,918)</b>
<i>Current liabilities</i>	255,465	279,261	23,796
<i>Noncurrent liabilities</i>	10,956,507	10,768,805	(187,702)
<b>Total liabilities</b>	<b>11,211,972</b>	<b>11,048,066</b>	<b>(163,906)</b>
<i>Restricted for debt service</i>	885,217	650,150	(235,067)
<i>Unrestricted net (deficit)</i>	(10,249,986)	(10,138,931)	111,055
<b>Total net (deficit)</b>	<b>\$ (9,364,769)</b>	<b>\$ (9,488,781)</b>	<b>\$ (124,012)</b>

The decrease in current assets is primarily due to a decrease in accrued tobacco settlement receipts of \$(51,359), a decrease in cash of \$(221,315), and a decrease in prepaid expenses of \$(57) in 2008. In 2008, the Corporation received additional tobacco settlement receipts due to a prior year settlement. Cash decreased because the trapping account was no longer needed in 2009 and was used to pay down principal and accreted interest on the 2005 bonds.

The decrease in noncurrent assets is primarily due to the amortization of bond issue costs. The current portion of bonds payable increased in accordance with the scheduled debt amortization and is the reason current liabilities increased. The decrease in noncurrent liabilities is primarily due to the repayment of bonds totaling \$445,027, offset by the accretion of interest on 2005 TASC bonds of \$268,373. The decrease in restricted net assets is due to the liquidation of the bond trapping account.

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2009

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

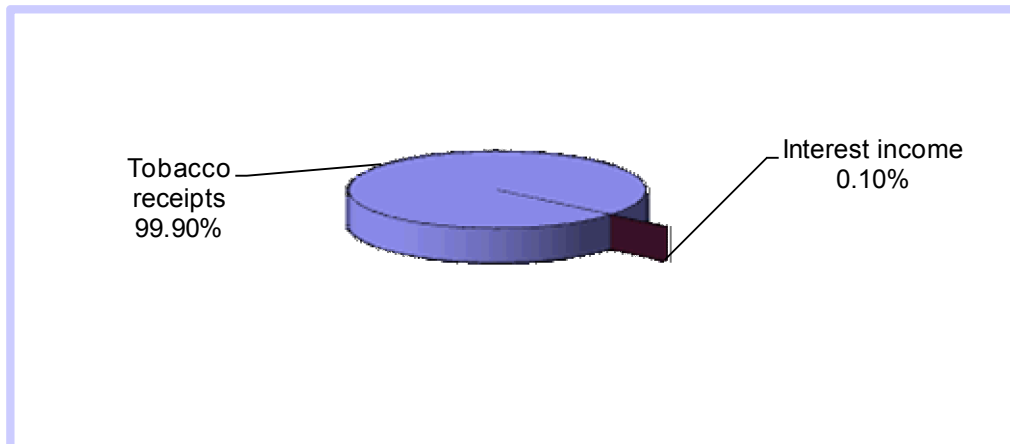
**Figure 2**  
**Change in Net Assets**

<b>Changes in Net Assets</b>	<b>Governmental Activities and Total Corporation</b>		<b>Total Dollar Change</b>
	<b>2008</b>	<b>2009</b>	<b>2008 - 2009</b>
<b>Revenues:</b>			
<i>Tobacco settlement receipts</i>	\$ 741,359	\$ 690,000	\$ (51,359)
<i>Interest income</i>	46,485	709	(45,776)
<b>Total revenues</b>	<b>787,844</b>	<b>690,709</b>	<b>(97,135)</b>
<b>Expenses:</b>			
<i>Insurance expense</i>	4,603	4,565	(38)
<i>Professional fees</i>	25,898	22,624	(3,274)
<i>Interest expense</i>	755,520	763,300	7,780
<i>Amortization of bond issuance costs</i>	7,211	7,211	-0-
<i>Other expenses</i>	2,224	2,021	(203)
<i>Transfer to Tompkins County</i>	25,000	15,000	(10,000)
<b>Total expenses</b>	<b>820,456</b>	<b>814,721</b>	<b>(5,735)</b>
<b>(DECREASE) IN NET ASSETS</b>	<b>\$ (32,612)</b>	<b>\$ (124,012)</b>	<b>\$ (91,400)</b>

Total revenues decreased 12.3 percent due to a tobacco settlement receipt of \$58,648 recognized in 2008 related to a prior year settlement, as well as lower interest earnings in 2009. Total expenses decreased less than 1.0 percent, largely due to a decrease in expenses passed through to the Corporation from the Trust and a lower amount transferred to Tompkins County.

*Figures 3 and 4* present the sources of revenues for 2009 and 2008.

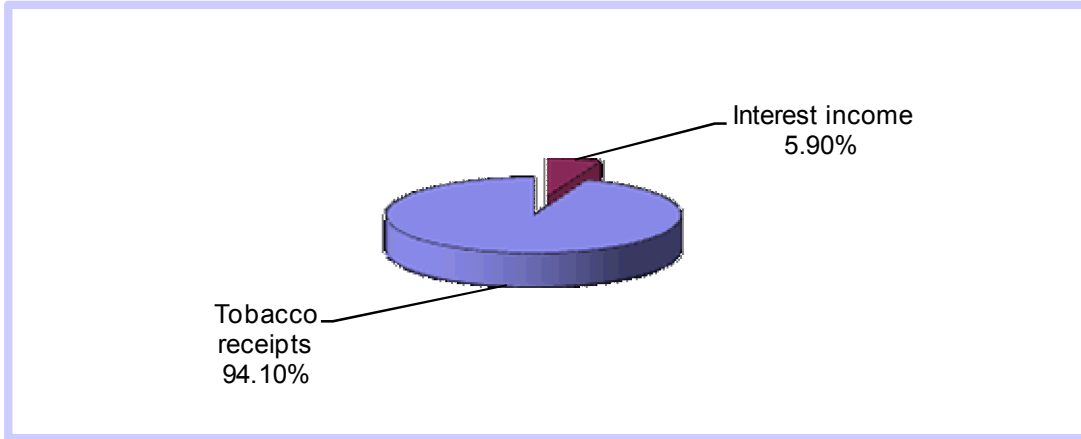
**Figure 3**  
**Sources of Revenue for 2009**



TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2009

**Figure 4**

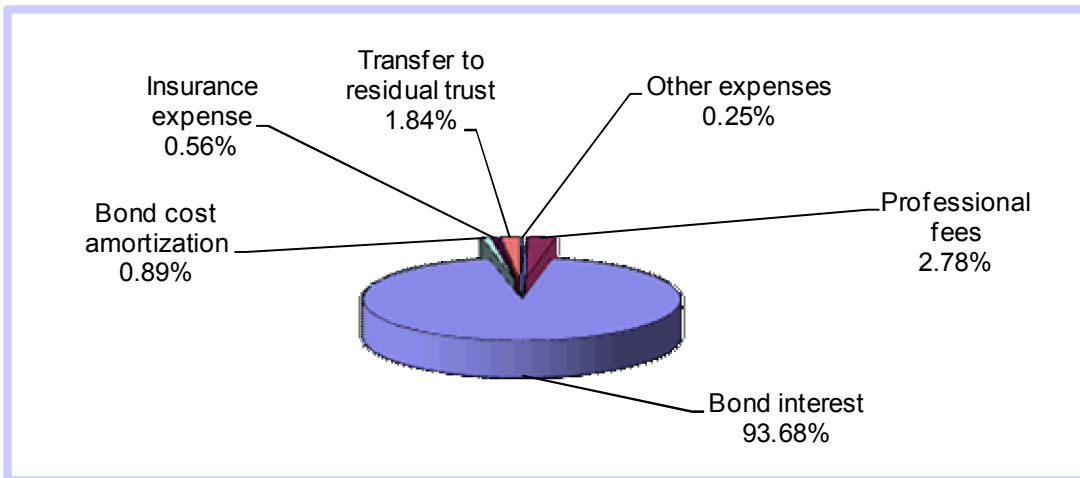
**Sources of Revenue for 2008**



Figures 5 and 6 present the expenses of the Corporation for the years ended December 31, 2009 and 2008.

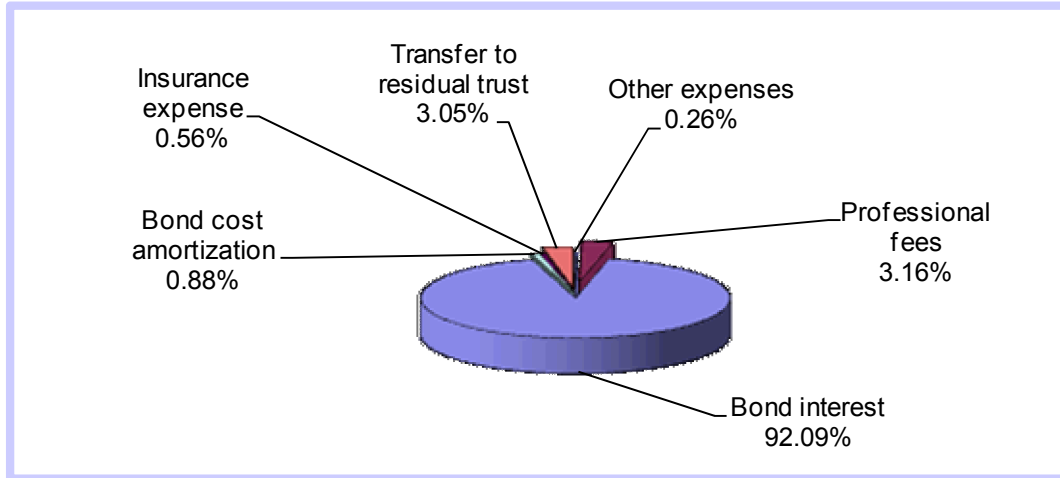
**Figure 5**

**Expenses 2009**



TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2009

**Figure 6**  
**Expenses 2008**



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

Figure 7 shows the changes in debt service reserved fund balance for the year. As the Corporation completed the year, its Governmental Fund, as presented in the basic financial statements, reported a combined debt service reserve of \$1,420,826 and \$1,701,533 for 2009 and 2008, respectively.

**Figure 7**

**Governmental Fund Balances - Major Funds**

Governmental Fund Balances	Governmental		Total Dollar Change
	2008	2009	2008 - 2009
General Fund	\$ 1,701,533	\$ 1,420,826	\$ (280,707)

**DEBT ADMINISTRATION**

Debt, considered a liability of governmental activities, decreased by \$(162,702) in 2009, as shown in Figure 8. This increase was due to principal payments, offset by the accretion of interest on the 2005 issue.

**Figure 8**

**TASC Bonds**

Outstanding Debt	Governmental Activities		Total Dollar Change
	2008	2009	2008 - 2009
Bonds payable, net	\$ 11,177,555	\$ 11,014,853	\$ (162,702)

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



TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2009

**FACTORS BEARING ON THE CORPORATION'S FUTURE**

- The Corporation does not anticipate any significant changes in tobacco settlement receipts for the year ended December 31, 2010.
- In 2010, the Corporation has budgeted a transfer of \$16,082 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, 2009

	Governmental Fund Type General	Adjustments	Statement of Net Assets
<b><u>ASSETS</u></b>			
Current Assets:			
Cash and cash equivalents	\$ 76,920	\$	\$ 76,920
Restricted cash and cash equivalents, current	366		366
Accrued interest			
Accrued tobacco settlement receipts	690,000		690,000
Prepaid expenses	3,756		3,756
Total Current Assets	771,042	-0-	771,042
Restricted cash and cash equivalents, noncurrent	649,784		649,784
Bond issuance and closing costs, net		138,459	138,459
Total Assets	\$ 1,420,826	138,459	1,559,285
<b><u>LIABILITIES</u></b>			
Current Liabilities:			
Accrued interest payable	\$	33,213	33,213
Current portion of bonds payable, net		246,048	246,048
Total Current Liabilities	-0-	279,261	279,261
Accreted interest on Series 2005 Bonds		1,140,174	1,140,174
Bonds payable, net		9,628,631	9,628,631
Total Liabilities	-0-	11,048,066	11,048,066
<b><u>FUND BALANCE/NET ASSETS</u></b>			
Fund Balance:			
Reserved for debt service	1,420,826	(1,420,826)	
Total Fund Balance	1,420,826	(1,420,826)	-0-
Net assets:			
Restricted for debt service		650,150	650,150
Unrestricted		(10,138,931)	(10,138,931)
Total Net Assets	-0-	(9,488,781)	(9,488,781)
Total Fund Balance/Net Assets	\$ 1,420,826	\$ (10,909,607)	\$ (9,488,781)

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, 2009

	<u>Governmental</u> <u>Fund Type</u>		<u>Statement of</u>
	<u>General</u>	<u>Adjustments</u>	<u>Activities</u>
Revenue:			
Tobacco settlement receipts	\$ 690,000	\$	\$ 690,000
Interest income	709		709
	<u>690,709</u>		<u>690,709</u>
Total Revenues	<u>690,709</u>	<u>-0-</u>	<u>690,709</u>
Expenditures/Expenses:			
Insurance expense	4,565		4,565
Professional fees	22,624		22,624
Debt service	927,206	(163,906)	763,300
Amortization of bond issuance and closing costs		7,211	7,211
Other expenditures/expenses	2,021		2,021
Transfer to residual trust	15,000		15,000
	<u>971,416</u>	<u>(156,695)</u>	<u>814,721</u>
Total Expenditures/Expenses	<u>971,416</u>	<u>(156,695)</u>	<u>814,721</u>
Excess of (Expenditures/Expenses) Over Revenues	(280,707)	156,695	(124,012)
Other Financing Sources (Uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Excess of Revenues over (Expenses) and Other Financing Sources (Uses)	(280,707)	156,695	(124,012)
Fund Balance/Net Assets, January 1,	<u>1,701,533</u>	<u>(11,066,302)</u>	<u>(9,364,769)</u>
Fund Balance/Net Assets, December 31,	<u>\$ 1,420,826</u>	<u>\$ (10,909,607)</u>	<u>\$ (9,488,781)</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, 2009

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Tompkins Tobacco Asset Securitization 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 is controlled by a group of four directors who are appointed by the Chair of the Tompkins County Legislature. At this time, one director is a member of the County Legislature, two are members of the management team of the County, and one member has no affiliation with the County. 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, 2009

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, 2009

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

Statement of Net Assets

- Restricted Net Assets  
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  
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.

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2009

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

Total fund balance as reported in the Governmental Fund type column. \$ 1,420,826

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	\$ (10,119,440)	
Less unamortized discount	244,761	
Add accreted amount on Series 2005 Bonds	<u>(1,140,174)</u>	
Addition of long-term liabilities		(11,014,853)

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	(33,213)
--------------------------	----------

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	<u>138,459</u>
---	----------------

Total Net Assets as Reported in the Statement of Net Assets	<u>\$ (9,488,781)</u>
---	-----------------------

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. Proceeds from the issuance of debt are recognized as an other financing source in the Governmental Fund statements, but as an increase in bonds payable in the Statement of Net Assets.

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2009

Total Expenditures/Expenses and Other Financing Uses as reported in the Governmental Fund Type column.	\$ 971,416
--	------------

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.	281,121
--	---------

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
---	-------

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.	<u>(445,027)</u>
--	------------------

Total Expenses of Governmental Activities in the Statement of Activities	\$ <u>814,721</u>
--	-------------------

There were no differences in revenues in 2009.

**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, 2009, total cash and cash equivalents aggregated \$726,704, 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 represents amounts held in a mandated TASC liquidity reserve as required, in the amount of \$650,150, 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.



TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2009

Note 4 - Long-term Debt

The following summary is the Corporation's long-term debt for the year ended December 31, 2009:

<u>Description of Issue</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding December 31, 2009</u>
Series 2000 Tobacco Settlement Pass-through Bonds	12/00	6/25	5.25% - 6.30%	\$ 6,485,000
Less: Unamortized Bond Discount				<u>(170,461)</u>
Carrying Value of Series 2000 Tobacco Settlement Pass-through Bonds				<u>6,314,539</u>
Series 2005 Tobacco Settlement Pass-through Bonds	11/05	6/60	6.0% - 7.85%	3,634,440
Less: Unamortized Bond Discount				(74,300)
Add: Addition to Accreted Value				<u>1,140,174</u>
Carrying Value of Series 2005 Tobacco Settlement Pass-through Bonds				<u>4,700,314</u>
Total Carrying Value of Pass-through Bonds				<u>\$ 11,014,853</u>

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

Interest paid	\$ 482,179
Less: Interest accrued in the prior year	(34,417)
Plus: Interest accrued in the current year	33,213
Amortization of bond discount	13,952
Addition to accreted value of Series 2005 bonds	<u>268,373</u>
Total Expense	<u>\$ 763,300</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:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds payable	\$ 10,564,467	\$	\$ (445,027)	\$ 10,119,440	\$ 260,000
Less: Bond discount	(258,713)		13,952	(244,761)	(13,952)
Add: Addition to accreted interest	<u>871,801</u>	<u>268,373</u>		<u>1,140,174</u>	
Total Bonds Payable	<u>\$ 11,177,555</u>	<u>\$ 268,373</u>	<u>\$ (431,075)</u>	<u>\$ 11,014,853</u>	<u>\$ 246,048</u>

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2009

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 260,000	\$ 410,865	\$ 670,865
2011	270,000	394,621	664,621
2012	285,000	377,584	662,584
2013	300,000	359,553	659,553
2014	320,000	340,109	660,109
2015-2019	2,010,000	1,356,142	3,366,142
2020-2024	2,965,000	537,487	3,502,487
2025-2027	75,000	2,484	77,484
Total	<u>\$ 6,485,000</u>	<u>\$ 3,778,845</u>	<u>\$ 10,263,845</u>

The Series 2005 bonds are as follows:

<u>Description of Issue</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Principal</u>
Series 2005 S1 Capital Appreciation Bond	11/05	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%	1,284,416
Total				<u>\$ 3,634,440</u>

The Series 2005 Bonds are capital appreciation bonds, upon which the investment return on the initial principal amount is reinvested at a compounded rate until maturity. There are no scheduled principal and interest payments on the Series 2005 bonds other than on their respective maturity dates, at which time a single payment is made representing both the initial principal amount and the total investment return.

However, the Series 2005 Bonds are subject to redemption prior to maturity through turbo redemption payments which are to be made from surplus collections on deposit, as provided in the Bond Indenture. The amounts and timing of the turbo redemption payments are based on projections of future tobacco settlement receipts less amounts needed to satisfy debt service on the Series 2000 bonds and to satisfy operating requirements. Failure to make such turbo redemption payments will not, however, constitute an event of default.

The projected turbo redemption payments are presented in the following table. It is expected that the Corporation will make payments based on this amortization.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015-2019	\$ 456,643	\$ 624,982	\$ 1,081,625
2020-2024	762,182	1,265,923	2,028,105
2025-2029	1,334,238	4,069,035	5,403,273
2030-2034	661,760	4,411,359	5,073,119
2035-2039	419,617	4,199,896	4,619,513
Expected Total Debt Service	<u>\$ 3,634,440</u>	<u>\$ 14,571,195</u>	<u>\$ 18,205,635</u>

TOMPKINS TOBACCO ASSET SECURITIZATION CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2009

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

	Amount of Yearly Accretion And Amortization of Bond Discount
2010	\$ 346,829
2011	371,163
2012	396,885
2013	425,248
2014	454,582
2015-2019	2,613,917
2020-2024	3,077,259
2025-2029	2,954,011
2030-2034	2,107,519
2035-2039	<u>683,608</u>
Total Accretion	13,431,021
Carrying Value 12/31/09	<u>4,774,614</u>
Expected Total Debt Service	<u>\$ 18,205,635</u>

---

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.

---



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

*Certified Public Accountants and Consultants*

---

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 fund information of the Tompkins Tobacco Asset Securitization Corporation, a component unit of the County of Tompkins, as of and for the year ended December 31, 2009, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated March 22, 2010. 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting. (2009-1) *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.

---

**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.cdln.com](http://www.cdln.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.

*Cinchi, Dittubagno, Little, Mickelson & Co., LLP*

March 22, 2010  
Ithaca, New York