

**GENESEE TOBACCO ASSET SECURITIZATION
CORPORATION**

FINANCIAL STATEMENTS

DECEMBER 31, 2021

GENESEE TOBACCO ASSET SECURITIZATION CORPORATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Genesee Tobacco Asset Securitization Corporation
Batavia, New York

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Report on the Audit of the Financial Statements**Opinion**

We have audited the accompanying financial statements of the Genesee Tobacco Asset Securitization Corporation, a blended component unit of the County of Genesee, 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 the Genesee Tobacco Asset Securitization Corporation'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 financial position of the Genesee Tobacco Asset Securitization Corporation, a blended component unit of the County of Genesee, New York, as of December 31, 2021 and 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Genesee Tobacco Asset Securitization Corporation 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 opinion.

Responsibilities of Management 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 the Genesee Tobacco Asset Securitization Corporation'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 auditor's report that includes our opinion. 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 generally accepted auditing standards 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 the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess 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 the Genesee Tobacco Asset Securitization Corporation'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Genesee Tobacco Asset Securitization Corporation'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.

Scheduled Flexible Principal Payments

The Corporation has not made cumulative scheduled flexible principal payments on the 2000 Series Bonds amounting to \$450,000 as of December 31, 2021. The revised amortization schedule provided by the Corporation's bond consultant reflects these principal payments as due during the year ending December 31, 2022, although the Corporation's current assets are not sufficient to enable this amount of principal to be paid. The statement of net position reflects a current portion of long-term debt amounting to \$715,000. See Note 3. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2022, on our consideration of the effectiveness of Genesee Tobacco Asset Securitization Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Genesee Tobacco Asset Securitization Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Genesee Tobacco Asset Securitization Corporation's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

EFPR Group, CPAs, PLLC
Rochester, New York
March 17, 2022

GENESEE TOBACCO ASSET SECURITIZATION CORPORATION
Statements of Net Position
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 340,239	\$ 305,815
Prepaid insurance	<u>1,814</u>	<u>1,713</u>
Total current assets	342,053	307,528
Restricted Cash, Cash Equivalents and Investments	<u>931,024</u>	<u>1,013,139</u>
Total Assets	<u>\$ 1,273,077</u>	<u>\$ 1,320,667</u>
LIABILITIES AND NET POSITION		
Current Liabilities		
Current portion of long-term debt	\$ 715,000	\$ 750,000
Accounts payable	1,528	1,642
Accrued interest payable	<u>65,367</u>	<u>74,481</u>
Total current liabilities	<u>781,895</u>	<u>826,123</u>
Long-Term Liabilities		
Accretion payable - TASC IV Series 2005	2,424,505	2,197,505
Accretion payable - TASC V	4,510,152	4,038,369
Bonds payable - TASC IV	10,440,000	10,705,000
Bonds payable - TASC IV Series 2005	1,458,440	1,458,440
Bonds payable - TASC V	<u>1,855,936</u>	<u>1,855,936</u>
Total long-term liabilities	<u>20,689,033</u>	<u>20,255,250</u>
Total Liabilities	<u>21,470,928</u>	<u>21,081,373</u>
Net Position		
Restricted	1,273,077	1,320,667
Unrestricted	<u>(21,470,928)</u>	<u>(21,081,373)</u>
Total Net Position	<u>(20,197,851)</u>	<u>(19,760,706)</u>
Total Liabilities and Net Position	<u>\$ 1,273,077</u>	<u>\$ 1,320,667</u>

The accompanying notes are an integral part of these financial statements.

GENESEE TOBACCO ASSET SECURITIZATION CORPORATION
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Tobacco settlement proceeds	\$ <u>902,008</u>	\$ <u>834,077</u>
Operating Expenses		
Accounting	4,950	4,950
Administrative agent	5,663	5,663
Bond expenses	388	387
Insurance	2,237	3,301
Legal	5,650	5,250
Rent	1,859	1,593
Telephone	45	45
Trustee expenses	<u>3,502</u>	<u>3,502</u>
Total expenses	<u>24,294</u>	<u>24,691</u>
Operating Income	<u>877,714</u>	<u>809,386</u>
Other Income (Expense)		
Accretion	(698,783)	(650,530)
Interest income	685	8,998
Interest expense	<u>(616,761)</u>	<u>(637,421)</u>
Total other income (expense)	<u>(1,314,859)</u>	<u>(1,278,953)</u>
Changes in Net Position	(437,145)	(469,567)
Net Position - Beginning	<u>(19,760,706)</u>	<u>(19,291,139)</u>
Net Position - Ending	<u>\$ (20,197,851)</u>	<u>\$ (19,760,706)</u>

The accompanying notes are an integral part of these financial statements.

GENESEE TOBACCO ASSET SECURITIZATION CORPORATION
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Cash received from tobacco settlement	\$ 902,008	\$ 834,077
Cash paid for other operating expenses	<u>(33,623)</u>	<u>(22,174)</u>
Net cash flows from operating activities	<u>868,385</u>	<u>811,903</u>
Cash Flows From Investing Activities		
Interest income	<u>685</u>	<u>8,998</u>
Cash Flows from Noncapital Financing Activities		
Principal repayment of bonds payable	(300,000)	(100,000)
Interest payment on bonds payable	(616,761)	(637,421)
Restricted cash - liquidity reserve	<u>82,115</u>	<u>(46,566)</u>
Net cash flows from financing activities	<u>(834,646)</u>	<u>(783,987)</u>
Net Change in Cash and Cash Equivalents	34,424	36,914
Cash and Cash Equivalents - Beginning	<u>305,815</u>	<u>268,901</u>
Cash and Cash Equivalents - Ending	<u>\$ 340,239</u>	<u>\$ 305,815</u>
Reconciliation of Operating Income to Net Cash Flows from Operating Activities		
Operating income	\$ 877,714	\$ 809,386
Changes in assets and liabilities		
Prepaid expenses	(101)	3,843
Accounts payable	(114)	(372)
Accrued interest payable	<u>(9,114)</u>	<u>(954)</u>
Net cash flows from operating activities	<u>\$ 868,385</u>	<u>\$ 811,903</u>

The accompanying notes are an integral part of these financial statements.

GENESEE TOBACCO ASSET SECURITIZATION CORPORATION
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Nature of the Organization

In January 1997, the State of New York filed a lawsuit against the tobacco industry, seeking to recover the costs that the State and local governments had incurred in treating smoking related illnesses. Genesee Tobacco Asset Securitization Corporation (the "Corporation") was established to acquire from the County all or a portion of the rights, title and interest under the Master Settlement Agreement (the "MSA") and the Consent Decree and Final Judgment (the "Decree") as described herein.

The MSA includes New York and 45 other states, 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 four of the largest United States tobacco product manufacturers: Philip Morris Incorporated, R.J. Reynolds Tobacco Company, Brown and Williamson Tobacco Company (B&W), and Lorillard Tobacco Company (collectively, the "Original Participating Manufacturers" or "OPMs"). On January 5, 2004, Reynolds American Inc. was incorporated as a holding company to facilitate the combination of the U.S. assets, liabilities, and operations of B&W with those of Reynolds Tobacco. The agreement was entered into in settlement of certain smoking-related litigation and the Decree entered in New York Supreme Court, including the County's right to receive certain initial and annual payments to be made by the OPMs under the MSA.

During 2000 and 2005, Genesee County (the "County") sold its right to receive payments under the MSA to the Genesee Tobacco Asset Securitization Corporation. The Corporation's right to receive Tobacco Settlement Revenue (TSR) is its most significant asset, and is expected to produce cash flow to fund its obligations. The County is a related organization of the Corporation, however, the Corporation is not controlled or financially accountable to the County.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 39, Determining Whether Certain Organizations are Component Units, and Technical Bulletin 2004-1, Tobacco Settlement Recognition and Financial Reporting Entity Issues, the Corporation is required to be included in the basic financial statements of the County of Genesee, New York. Accordingly, the Corporation is presented as a blended component unit of the County.

Financial Reporting Entity

In accordance with the Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity* and Statement No. 61, *The Financial Reporting Entity: Omnibus*, the Corporation has reviewed and evaluated its relationship with various entities. The decision to include a potential component unit in the a government's reporting entity is based on several criteria set forth in GASB Statements No. 14 and No. 61, including legal standing, fiscal dependency and financial accountability. Based on the application of these criteria, the Corporation is included in the financial statements of the County of Genesee, State of New York (the "County") as a blended component unit. Separately issued financial statements for the County can be obtained from their respective administrative offices:

Genesee County Treasurer
County Building I
15 Main Street
Batavia, New York 14020

GENESEE TOBACCO ASSET SECURITIZATION CORPORATION
Notes to Financial Statements

Basis of Presentation

The financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Corporation follows the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement codifies all sources of accounting principles generally accepted in the United States of America into GASB's authoritative literature. The Corporation also adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides guidance on presenting deferred outflows, deferred inflows and net position. The Corporation follows the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement provides guidance on presenting items that were previously reported as assets and liabilities. The Corporation's most significant accounting policies to the financial statements are described in the following paragraphs.

The Corporation's basic financial statements consist of proprietary fund financial statements, which include the statements of net position, the statements of revenues, expenditures and changes in net position and the statements of cash flows.

Fund Financial Statements

The accounting system is organized and separated on a fund basis. A fund is defined as a fiscal accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities of the County and attaining certain objectives in accordance with special regulations, restrictions or limitations. The Corporation is determined to be a proprietary fund of the County.

Proprietary Funds - The proprietary funds are used to account for ongoing activities which are similar to those often found in the private sector. The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting also relates to the timing of the measurement made, regardless of the measurement focus applied.

Accrual Basis - Proprietary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The economic resources measurement focus means that all of the assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operations (whether current or non-current) of the Corporation are included in the statements of net position. The statements of revenues, expenses and changes in net position present increases (revenues) and decreases (expenses) in total net position.

GENESEE TOBACCO ASSET SECURITIZATION CORPORATION
Notes to Financial Statements

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of reporting in the statements of net position and the statement of cash flows, the Corporation includes cash accounts and all highly liquid debt instruments purchased with an original maturity of three months or less in cash and cash equivalents.

Restricted Cash, Cash Equivalents and Investments

The Corporation maintains a liquidity reserve account, which was initially funded from the New York State Counties Tobacco Trust/Tobacco Settlement Pass-Through Bonds. This account must be maintained until all bonds are paid. All amounts withdrawn from this account are replenished, as needed and amounts in excess of the required amount are transferred out.

Bonds Payable

In the statements of net position, bonds payable are reported as long-term liabilities. Bond discounts result from a difference between the debt amount to be repaid by the Corporation and the amount of proceeds received by the Corporation. Bond discounts are amortized as a component of interest expense over the life of the debt obligation using the effective interest rate method. In accordance with Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the Corporation expenses all debt issuance costs, excluding bond insurance, in the year incurred.

Net Position

At times the Corporation will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Corporation's policy to consider restricted net position to have been depleted before unrestricted net position is applied. Restricted net position amounted to \$1,273,077 and \$1,320,667, respectively, while unrestricted net position amounted to a deficit of \$21,470,928 and \$21,081,373, respectively, for the years ended December 31, 2021 and 2020.

GENESEE TOBACCO ASSET SECURITIZATION CORPORATION
Notes to Financial Statements

Note 2. Cash, Cash Equivalents and Investments

Investment and Deposit Policy

The Corporation follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, state and other legal requirements; provide sufficient liquidity of invested funds in order to meet obligations as they become due; and attainment of a market rate of return. Oversight of investment activity is the responsibility of the Treasurer of the Corporation.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The Corporation does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Corporation's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The Corporation's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Obligations of the United States of America;
- Obligations guaranteed by the United States of America where payment of principal and interest are guaranteed by the United States of America;
- Obligations of the State of New York;
- Special time deposit accounts;
- Certificates of deposit;
- Obligations of public authorities, public housing authorities, urban renewal agencies, and industrial development agencies where the general State statutes governing such entities or whose specific enabling legislation authorizes such investments; and
- Obligations issued pursuant to New York State Local Finance Law Section 24.00 and 25.00 (with approval of the New York State Comptroller) by any municipality, school district or district corporation other than the Corporation.
- Eligible investments, as defined in the Indenture between the Corporation and Manufacturers and Traders Trust Company, as Trustee as amended from time to time.

Custodial Credit Risk - Deposits and Investments

Custodial credit risk - deposits is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the Corporation's investment and deposit policy, all deposits of the Corporation including certificates of deposit and special time deposits, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIA) shall be secured by a pledge of securities with an aggregate value equal to the aggregate amount of deposits. Eligible securities used for collateralizing deposits shall be held by a third party bank, trust company or trust department of the bank subject to security and collateral agreements at the discretion of the Corporation. The security and custodial agreements shall provide that securities held by the bank or trust company or agent of and custodian for, the Corporation, will be kept separate and apart from the general assets of the custodial bank or trust company. The security and collateral agreement shall provide that eligible securities are being pledged to secure the Corporation deposits and investments together with agreed upon interest, if any, and any costs or expenses arising out of the collection of such deposits upon default.

GENESEE TOBACCO ASSET SECURITIZATION CORPORATION
Notes to Financial Statements

Deposits are valued at cost or cost plus interest and are categorized as either (1) insured, or collateralized with securities held by the Corporation's agent in the Corporation's name, (2) uninsured, and for which the securities are held by the financial institution or its trust department in the Corporation's name, or (3) uncollateralized. At December 31, 2021, the bank balance of deposits held was \$345,309. These deposits are categorized as follows:

	<u>Categories</u>			
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Total</u>
Deposits	\$ <u>340,239</u>	\$ <u>5,070</u>	\$ <u>-</u>	\$ <u>345,309</u>

Accounts held by FDIC insurance coverage for a government unit are now insured up to \$250,000 for the combined amount of all time and savings accounts (including NOW accounts) and up to \$250,000 for all demand deposit accounts (interest-bearing and noninterest-bearing).

As of December 31, 2021, the Corporation's investments, with maturities of less than one year or less, were in compliance with the investment and deposit policy as follows:

Investment Type

United States Treasury Bills DTD 5/31/2020 Due 05/31/2022	\$ <u>925,954</u>
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United States obligations are considered level 1 investments. The Corporation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Corporation has fair value measurements of federal home loan mortgage corporation zero coupon bonds as of December 31, 2021 which are considered level 1 inputs.

Note 3. Bonds Payable

TASC IV bonds payable consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Turbo Term Bonds - Redeemable in annual installments of various amounts beginning June 1, 2027 through June 1, 2041. Interest is payable in semi-annual installments at 6.250%.	\$ 4,700,000	\$ 5,000,000
Turbo Term Bonds - Redeemable in annual installments of various amounts beginning June 1, 2041 through June 1, 2042. Interest is payable in semi-annual installments at 5.000%.	3,925,000	3,925,000
Turbo Term Bonds - Redeemable in annual installments of various amounts beginning June 1, 2042 through June 1, 2045. Interest is payable in semi-annual installments at 5.000%.	<u>2,530,000</u>	<u>2,530,000</u>
Total	<u>\$ 11,155,000</u>	<u>\$ 11,455,000</u>

GENESEE TOBACCO ASSET SECURITIZATION CORPORATION
Notes to Financial Statements

Scheduled repayment of these obligations is currently estimated as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 715,000	\$ 655,950	\$ 1,370,950
2023	85,000	641,500	726,500
2024	-	629,000	629,000
2025	-	613,375	613,375
2026	-	594,625	594,625
2027 - 2031	1,400,000	2,679,375	4,079,375
2032 - 2036	2,300,000	2,054,375	4,354,375
2037 - 2041	3,350,000	1,263,250	4,613,250
2042 - 2045	<u>3,305,000</u>	<u>338,875</u>	<u>3,643,875</u>
Total	<u>\$ 11,155,000</u>	<u>\$ 9,470,325</u>	<u>\$ 20,625,325</u>

TASC IV - Series 2005 bonds payable consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Subordinate Turbo CABs - Redeemable in annual installments of various amounts beginning June 1, 2045 through June 1, 2050. This is a non-interest bearing bond.*	\$ 784,054	\$ 784,054
Subordinate Turbo CABs - Redeemable in annual installments of various amounts beginning June 1, 2050 through June 1, 2055. This is a non-interest bearing bond.*	<u>674,386</u>	<u>674,386</u>
Total	<u>\$ 1,458,440</u>	<u>\$ 1,458,440</u>

* In 2005 the Corporation refunded and defeased in substance its outstanding 2000 Series bonds with a portion of the Series 2005 bonds. All of the issuance costs and reserves were funded from the bond proceeds. The net proceeds were deposited into an irrevocable trust to provide funding for the debt service on the Series 2000 bonds to the call date in the year 2010.

In conjunction with the advanced refunding, the Corporation completed the sale of Series 2005D and 2005E capital appreciation bonds carrying varying yields and were sold discounted (zero coupon). As required by accounting principles generally accepted in the United States of America, the Corporation accretes the effective interest appreciation over the life of the bonds to maturity. These bonds are subordinate to the Series 2005 bonds in the advanced refunding. No interest or principal will be paid on these bonds until all other series bonds of the Corporation are redeemed. Funds expected to be used for redemption of these bonds will come from the TSR and payments are not anticipated until 2026. Increases to the bond values were \$227,000 and \$213,710 for the years ending December 31, 2021 and 2020, respectively. At December 31, 2021 and 2020, accretion payable amounted to \$2,424,505 and \$2,197,505, respectively.

Required maturities for the Series 2005 Bonds represent the minimum amount of principal that the Corporation must pay as of the specific distribution dates in order to avoid a default. Turbo (accelerated) amortization payments are required to be made against outstanding principal providing that the Corporation receives sufficient TSR to make the Turbo. The interest payment requirements shown above are based on the required principal maturity schedule and includes the accreted value portion of capital appreciation bonds in the year in which they are required to be redeemed.

GENESEE TOBACCO ASSET SECURITIZATION CORPORATION
Notes to Financial Statements

TASC V bond payable consists of the following at December 31:

	<u>2021</u>	<u>2020</u>
Subordinate Turbo CABs - Redeemable in installments of estimates to begin on June 1, 2029 based upon the estimated collections of the payments under the MSA. Interest is accrued at 7.850%. Final payment of principal and accrued interest is due June 1, 2060.	\$ <u>1,855,936</u>	\$ <u>1,855,936</u>

Accretion of this obligation is currently estimated as follows:

	<u>Principal</u>	<u>Accretion</u>	<u>Total</u>
2022	\$ -	\$ 509,545	\$ 509,545
2023	-	550,329	550,329
2024	-	594,378	594,378
2025	-	641,953	641,953
2026	-	693,335	693,335
2027 - 2031	-	4,393,441	4,393,441
2032 - 2036	-	6,456,617	6,456,617
2037 - 2041	-	9,488,672	9,488,672
2042 - 2045	-	13,944,590	13,944,590
2047 - 2051	-	20,493,025	20,493,025
2052 - 2056	-	30,116,632	30,116,632
2057 - 2060	<u>1,855,936</u>	<u>29,151,395</u>	<u>31,007,331</u>
Total	<u>\$ 1,855,936</u>	<u>\$ 117,033,912</u>	<u>\$ 118,889,848</u>

Accretion expense for the TASC V bond payable amounted to \$471,783 and \$436,820 for the years ended December 31, 2021 and 2020, respectively. At December 31, 2021 and 2020, accretion payable amounted to \$4,510,152 and \$4,038,369, respectively.

The TASC IV, TASC IV - Series 2005 and TASC V bond payable obligations shall not be a debt of either the State or the County of Genesee, New York (the "County"), and neither the State nor the County shall be liable hereon, nor shall it be payable out of any funds other than those of the Corporation pledged therefore.

Note 4. Contingency and Concentration of Credit Risk

During 2000, the Corporation purchased the rights to receive Tobacco Settlement Revenue (TSR) from the County of Genesee. There are a number of risks associated with receipts of such TSR including, litigation affecting participating manufacturers and possible bankruptcy as a result thereof, and future adjustments to the calculation of the TSR. The Corporation's financial existence is contingent upon receiving these TSR from the tobacco manufacturers.

Note 5. Related Organization

The Corporation is a special purpose local development corporation, and is considered by legal counsel to be bankruptcy-remote from the County. However, the Corporation's Board of Directors is comprised of four elected or appointed officials of the County, and one independent director. For financial statement purposes, the Corporation is considered to be a blended component unit of the County.

GENESEE TOBACCO ASSET SECURITIZATION CORPORATION
Notes to Financial Statements

Note 6. Net Position

The net position deficit is due to various expenses associated with the bonds. The future cash receipts from the Master Settlement Agreement (MSA) are expected to offset this deficit. The largest payments provided for in the MSA are called initial payments and annual payments. Both are subject to certain adjustments, reductions and offsets, which are described in the following paragraphs.

Initial payments to New York State will be made in the first five years of the agreement, starting with \$2.4 billion in 1999; the last four of these will be subject to the volume adjustment, the non-settling states reduction, and the offset for miscalculated or disputed payments. The Corporation received the County's share of the payment in the last three years of the agreement, starting in 2001.

Annual payments commenced on April 15, 2000, starting at \$4.5 billion in 2000 and continuing into perpetuity at a cap of \$9 billion to be reached in 2018. The annual payments are subject to inflation adjustment, the volume adjustment, the previously settled states reduction, the non-settling states reduction, the non-participating manufacturers adjustment, the offset for miscalculated or disputed payments, the federal tobacco legislation offset, the litigating parties offset, and the offsets for claims. The Corporation started receiving the County's portion of the annual payments on April 15, 2001.

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

The Board of Directors
Genesee Tobacco Asset Securitization Corporation
Batavia, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Genesee Tobacco Asset Securitization Corporation, a blended component unit of the County of Genesee, New York, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Genesee Tobacco Asset Securitization Corporation's basic financial statements, and have issued our report thereon dated March 17, 2022.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Genesee Tobacco Asset Securitization Corporation'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 financial statements. 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 disclose 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 results 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.

EFPR Group, CPAs, PLLC

EFPR Group, CPAs, PLLC
Rochester, New York
March 17, 2022