

## **Cortland Tobacco Asset Securitization Corporation**

### **2022 Annual Report**

**March 23, 2023**

The Cortland Tobacco Asset Securitization Corporation is a bankruptcy-remote local Development Corporation created in July 2001 under Section 1411 of the New York Not-for-Profit Corporation Law. The organization was formed to raise funds by issuing bonds, use those funds to acquire rights to future proceeds from the settlement agreement with various tobacco companies payable to Cortland County and remain in existence during the term of the bonds to collect the tobacco settlement proceeds and service the debt. The organization is an instrumentality of, but separate and apart from Cortland County, New York.

This report is being submitted in compliance with the Public Authorities Accountability Act of 2005 (Chapter 776 of the Laws of 2005). It is not intended to be a substitute for or to replace the Cortland County Tobacco Asset Securitization Corporation's (herein referred to as either as "Cortland TASC" or the "Corporation") financial statements prepared to the year ending December 31, 2022.

#### **1. Operations and Accomplishments:**

The Corporation received sufficient Tobacco Settlement Revenues (TSR's) to make a principal payment of \$475,000 and an interest accretion of \$504,000.

2. The Corporation's revenues and expenditures for December 31, 2022, which were reported in its 2022 financial statements are as follows:

Revenues:	\$886,703
Expenses:	\$834,071
Increase in Net Position	\$52,632

3. The Corporation's assets and liabilities for December 31, 2022 which were reported in its 2022 financial statements are as follows:

Assets:	\$1,850,152
Liabilities:	\$12,714,309
Net Deficit:	(\$10,864,157)

4. The bonds payable of the Corporation for the year ending December 31, 2022 as reported in its 2022 financial statements (excluding bond amortization).

	Series 2001	<u>Series 2005</u>	<u>Total Bonds Payable</u>
Balance 12/31/2021	\$5,527,000	\$7,121,616	\$12,648,616
Principal Payments Accretion (net of interest paid)	(475,000)	0	(475,000)
Interest Paid	0	504,101	504,101
Balance 12/31/2022	\$5,052,000	\$7,625,717	\$12,677,717

5. The Corporation's compensation schedule:

As allowable by the By-Laws to reimburse directors for reasonable expenses incurred in the performance of corporate duties and/or to compensate the Independent Director for his/her services in an amount fixed from time to time as voted on by the majority of the Board of Directors other than the Independent Director, Harold White was compensated \$250 for his role as an Independent Director of the Corporation during 2022.

The Corporation had no paid employees in 2022.

6. Projects undertaken by the Corporation in 2022:

The Corporation did not undertake any projects during 2022.

7. Real Property owned and disposed of by the Corporation:

The Corporation did not acquire or dispose of any real property during 2022 having an estimated fair market value greater the \$15,000.

The Corporation does not currently own any real property; accordingly, no separate report was prepared.

8. Investments held by the Corporation:

Investments are reported at fair value. The Corporation's trustee holds investments for the funds included in the financial statements. The Corporation invests in authorized investments as described in the bond resolution such as commercial paper or financial company paper, special time deposit accounts, certificates of deposit and obligations of the United States of America. All investments are insured, registered or held by the Corporation's trustee in the Corporation's name. As of December 31, 2022, investments, stated at fair value consist of the following:

Cash and money market funds	\$811,500
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Note that fair value measurements under FASB ASC 820-10, which establishes a framework for measuring fair value, is under the highest priority. Such priority is level 1 measurements, which uses unadjusted quoted prices in active markets for identical assets.

Tobacco proceeds are held in trust by Manufacturer's and Traders Trust (M&T) on behalf of the Corporation. M&T invests the proceeds in highly liquid, interest bearing securities, and performs the transfer of any debt obligations upon the instruction of Bond Logistix, the administrator retained by the Corporation.

This report is intended to suffice as the Annual Investment Report.

9. Procurement transactions during 2022:

The Corporation had two procurement transactions during 2022 with an actual or estimated value of \$5,000 or more to a single vendor; this was the auditor's fee and the Harris Beach fees.

10. The Corporation's Code of Ethics as adopted and approved by the Board of Directors is as follows:

*No director, officer, or employee of the Corporation shall (1) accept other employment which will impair his or her independence of judgment in the exercise of his or her official duties; (2) accept employment or engage in any business or professional activity which will require him to disclose confidential information which he or she has gained by reason of his or her official position of authority; (3) disclose confidential information acquired by him or her in the course of his or her official duties nor use such information to further his or her personal interests; (4) use or attempt to use his or her official position to secure unwarranted privileges or exemptions for himself, herself or others; (5) engage in any transaction as a representative or agency of Corporation with any business entity in which she has a direct or indirect financial interest that might reasonably tend to conflict with the proper discharge of his or her official duties; (6) not, by his or her conduct, give reasonable basis for the impression that any person can improperly influence him or her or unduly enjoy his or her favor in the performance of his or her official duties, or that he or she is affected by the kinship, rank, position or influence of any party or person; (7) abstain from making personal investments in enterprises which he or she has reason to believe may be directly involved in decisions to be made by him or her which will otherwise create substantial conflict between his or her duty in the public interest and his or her private interest; and (8) endeavor to pursue a course of conduct which will not raise suspicion among the public that he or she is likely to be engaged in acts that are in violation of his or her trust.*

11. The financial statements for the Cortland Tobacco Asset Securitization Corporation for the year ended December 31, 2022 are the responsibility of management. The financial statements were prepared in accordance with auditing standards generally accepted in the United States of America. Financial information contained elsewhere in this annual report are consistent with the financial statements.

12. The Corporation has an established internal control structure. The objectives of an internal control structure are to provide reasonable assurance as to the protection of and accountability for assets, compliance with applicable laws and regulations, proper authorization of the recording of transactions and the reliability of financial records for preparing financial statements.

For the year ending December 31, 2022, management has documented and assessed the internal control structure and procedures of the Cortland Tobacco Asset Securitization Corporation; this assessment found the authority's internal controls to be adequate, and to the extent that deficiencies were identified, the authority has developed corrective action plans to reduce any corresponding risk.

13. The Corporation reported that there was no material pending litigation in which the entity was involved during 2022.