

Cortland Tobacco Asset Securitization Corporation
2016 Annual Report
March 31, 2017

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, 2016.

1. Operations and Accomplishments:

The Corporation received sufficient Tobacco Settlement Revenues (TSR's) to make a principal payment of \$835,000 and an interest accretion of \$341,407.

2. The Corporation's revenues and expenditures for December 31, 2016 which were reported in its 2016 financial statements are as follows:

Revenues: \$1,363,472

Expenses: \$792,589

Increase in Net Position \$570,883

3. The Corporation's assets and liabilities for December 31, 2016 which were reported in its 2016 financial statements are as follows:

Assets: \$1,784,063

Liabilities: \$12,311,662

Net Deficit: (\$10,527,599)

4. The bonds payable of the Corporation for the year ending December 31, 2016 as reported in its 2016 financial statements (attached)

	<u>Series 2001</u>	<u>Series 2005</u>	<u>Total Bonds Payable</u>
Balance 12/31/15	\$7,655,000	\$5,110,828	\$12,765,828
Principal Payments	(835,000)	0	(835,000)
Accretion (net of Interest paid)	0	341,407	341,407
Balance 12/31/2013	\$6,820,000	\$5,452,235	\$12,272,235

5. The Corporation's compensation schedule:

Although it is 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, no salary or compensation was paid to any officer or director of the Corporation during 2016.

The Corporation had no paid employees in 2016.

6. Projects undertaken by the Corporation in 2013:

The Corporation did not undertake any projects during 2013 .

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

The Corporation did not acquire or dispose of any real property during 2013 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, 2016, investments, stated at fair value consist of the following:

Cash and money market funds	\$935,304
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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.

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, 2016, 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 is no material pending litigation in which the entity was involved during 2016.