

**WYOMING TOBACCO ASSET SECURITIZATION
CORPORATION**

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2010**

WYOMING TOBACCO ASSET SECURITIZATION CORPORATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Wyoming Tobacco Asset Securitization Corporation
Warsaw, New York

We have audited the accompanying financial statements of the governmental activities and each major fund of the Wyoming Tobacco Asset Securitization Corporation as of and for the year ended December 31, 2010, which collectively comprise the 2010 basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Wyoming Tobacco Asset Securitization Corporation management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Wyoming Tobacco Asset Securitization Corporation as of December 31, 2010, and the respective changes in financial position, thereof 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 17, 2011, on our consideration of the Wyoming 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 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 in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2 through 5 and 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

EFP Rotenberg, LLP

EFP Rotenberg, LLP
Rochester, New York
March 17, 2011

WYOMING TOBACCO ASSET SECURITIZATION CORPORATION
Management's Discussion and Analysis
For the Year Ended December 31, 2010

The following is a discussion and analysis of The Wyoming Tobacco Asset Securitization Corporation (WTASC) financial performance for the fiscal year ended December 31, 2010. WTASC is a component unit of the County of Wyoming, New York (County). The section is a summary of the WTASC'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. This section is only an introduction and should be read in conjunction with the WTASC's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- WTASC's net assets decreased by \$346,742 for the year ended December 31, 2010 with revenues of \$470,283 exceeded by expenditures of \$817,025. The Corporation has a net deficit of \$9,380,238.
- As of December 31, 2010, WTASC's governmental funds reported combined fund balances of \$689,367, a decrease of \$15,462 in comparison with the prior year. Approximately 10% of the combined fund balances, \$68,733, is available to meet WTASC's current and future needs (*unreserved fund balance*). The remainder, \$620,634, is reserved for future debt payments.
- Current year debt payments of \$140,000 decreased the outstanding principal on the original TASC bonds to \$9,397,395, net of discount at December 31, 2010.

USING THIS ANNUAL REPORT

This annual report consists of two parts: *management's discussion and analysis* (this section) and *the basic financial statements*. The basic financial statements include two kinds of statements that present different views of the WTASC.

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the WTASC's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the WTASC government, reporting the WTASC's operations in more detail than the government-wide statements.
- The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Government-wide Statements

The government-wide statements report information about the WTASC as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government'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.

The two government-wide statements report the WTASC's net assets and how they have changed. Net assets, the difference between the WTASC's assets and liabilities, is one way to measure the WTASC's financial health, or position.

- The statement of net assets presents information on all WTASC assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of WTASC is improving or deteriorating.
- The statement of activities and changes in net assets presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 6 and 7 of this report.

Fund Financial Statements

The fund financial statements provide more detailed information about the WTASC's most significant funds, not the WTASC as a whole. Funds are accounting devices that the WTASC uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. The WTASC Board establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants. WTASC's funds include the general fund and the debt service fund.

WYOMING TOBACCO ASSET SECURITIZATION CORPORATION
Management's Discussion and Analysis
For the Year Ended December 31, 2010

The WTASC has one type of fund:

- **Governmental funds** - The governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the WTASC's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information in the footnotes for fixed assets and long-term debt that support the basic financial statements.

The basic governmental fund financial statements can be found on page 8 and 10 of this report.

FINANCIAL ANALYSIS OF THE WTASC AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The statement of net assets provides the perspective of the WTASC as a whole.

Table 1

Condensed Statement of Net Assets
December 31, 2010 and 2009

	<u>Governmental Activities</u>		<u>Total Percentage Change</u>
	<u>2010</u>	<u>2009</u>	
Assets			
Current and other assets	\$ 1,247,467	\$ 1,419,962	34.0 %
Liabilities			
Other liabilities	1,230,310	918,428	34.0 %
Long-term liabilities	<u>9,397,395</u>	<u>9,535,030</u>	(1.4)%
Total liabilities	<u>10,627,705</u>	<u>10,453,458</u>	1.7 %
Net Deficit			
Net deficit	<u>\$ (9,380,238)</u>	<u>\$ (9,033,496)</u>	3.8 %

Table 2

Changes in Statement of Activities
For the Years Ended December 31, 2010 and 2009

	<u>Governmental Activities</u>		<u>Total Percentage Change</u>
	<u>2010</u>	<u>2009</u>	
Revenues			
Tobacco settlement revenue	\$ 430,893	\$ 713,110	(39.6)%
Interest	360	351	2.6 %
Miscellaneous income	<u>39,030</u>	<u>38,050</u>	2.6 %
Total revenues	<u>470,283</u>	<u>751,511</u>	(37.4)%
Expenses			
General government support	109,407	101,834	7.4 %
Debt interest	395,032	405,711	(2.6)%
Accretion	<u>312,586</u>	<u>135,679</u>	130.4 %
Total expenses	<u>817,025</u>	<u>643,224</u>	27.0 %
Change in Net Assets	<u>\$ (346,742)</u>	<u>\$ 108,287</u>	(420.2)%

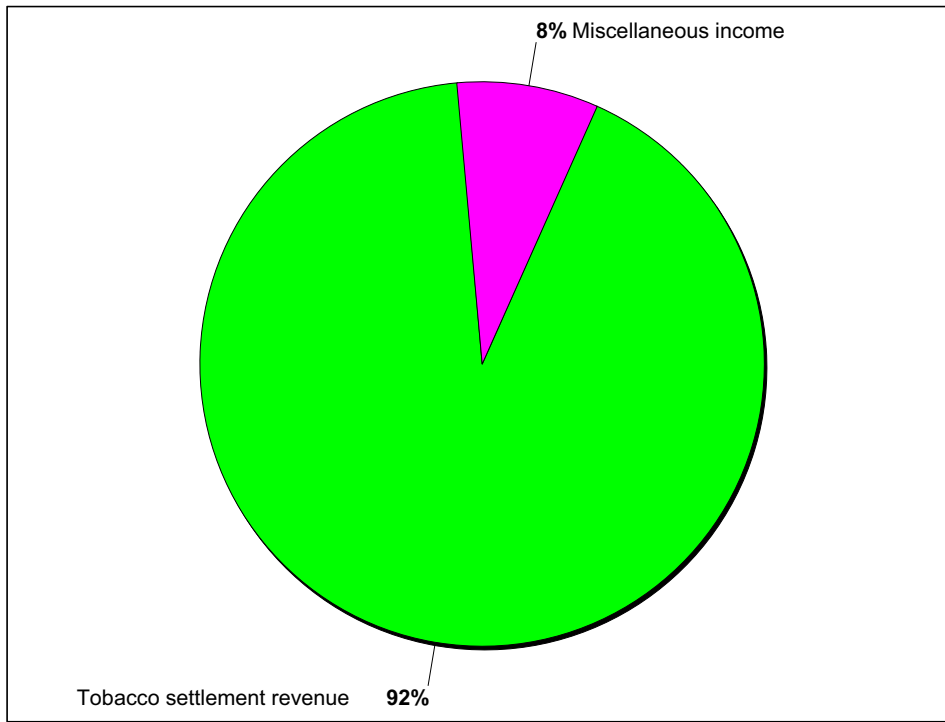
WYOMING TOBACCO ASSET SECURITIZATION CORPORATION
Management's Discussion and Analysis
For the Year Ended December 31, 2010

Due to changes in calculations and various other factors, it was determined during 2005 that additional tobacco stream revenue would become available to the Counties. Twenty-four counties joined together to issue several new bonds, in the names of their respective TASCs, with the lump-sum proceeds payable to their respective counties. WTASC received \$3,524,000, \$107,000 of which was used to pay bond issuance costs and the remainder of which was transferred to the County to pay off its debts. These 2005 Series bonds are subordinate to the original debt. Payments do not begin until the bond trapping account is funded, which is anticipated to occur during 2015.

Net assets of WTASC will increase as bonds are paid off and interest payments decrease. Future tobacco payments are expected to generate enough revenue to pay off these bonds.

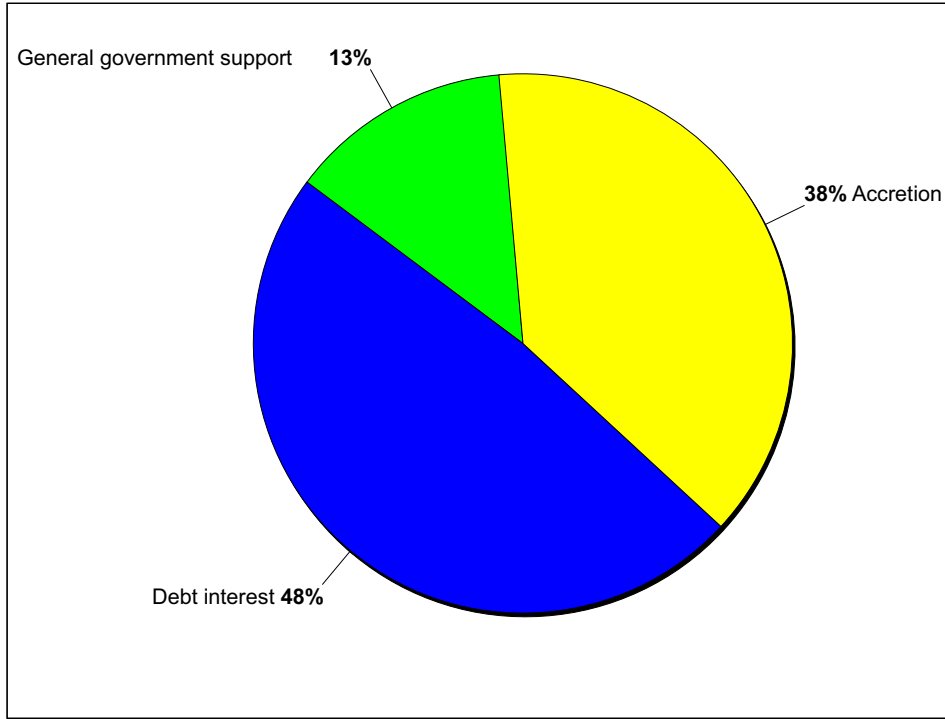
Tables 3-A&B show the revenues and program expenses on a percentage basis for the governmental activities:

Table 3-A
Sources of Revenues for Governmental Activities
Fiscal Year 2010



WYOMING TOBACCO ASSET SECURITIZATION CORPORATION
Management's Discussion and Analysis
For the Year Ended December 31, 2010

Table 3-B
Program Expenses for Governmental Activities
Fiscal Year 2010



DEBT ADMINISTRATION

Serial bonds

At December 31, 2010, WTASC had serial bonds outstanding of \$9,397,395, net of discount as compared to \$9,535,030 in the previous year.

Additional information on the WTASC's long-term debt can be found in notes to these financial statements.

CURRENT FINANCIAL ISSUES AND CONCERNS

Certain smokers, consumer groups, cigarette distributors and manufacturers, and other interested parties have instituted lawsuits against various tobacco manufacturers, including the Participating Manufacturers, alleging among other things that the MSA violates certain provisions of the United States Constitution and other laws. The lawsuits seek, among other things, an injunction against one or more of the settling States from collecting any monies under the Master Settlement Agreement and a determination that the Master Settlement Agreement is void or unenforceable. To date, such challenges have not been successful; however, such matters continue to be an ongoing concern for the TASC as any settlements could adversely affect the amounts of funds available to pay off the existing debt.

CONTACTING THE WTASC'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of WTASC's finances for all those with an interest in the government's finances. If you have questions about this report or need additional financial information, contact:

Cheryl Mayer, WTASC Treasurer
In care of Wyoming County
143 North Main Street
Warsaw, New York 14569

Wyoming Tobacco Asset Securitization Corporation
Statement of Net Assets
December 31, 2010

	Primary Government
	Governmental <u>Activities</u>
Assets	
Cash and cash equivalents	\$ 68,733
Restricted cash	620,634
Accounts receivable	<u>558,100</u>
Total assets	<u>1,247,467</u>
Liabilities	
Accrued interest	32,627
Accretion payable - TASC V	1,197,683
Long-term liabilities	
Portion due or payable within one year	
Bonds payable	360,000
Portion due or payable after one year	
Bonds payable	<u>9,037,395</u>
Total liabilities	<u>10,627,705</u>
Net Deficit	
Restricted for	
Debt service	620,634
Unrestricted	<u>(10,000,872)</u>
Total net deficit	<u>\$ (9,380,238)</u>

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

Wyoming Tobacco Asset Securitization Corporation
Statement of Activities
For the Year Ended December 31, 2010

**Net (Expenses) Revenues and
Changes in Net Assets**

Primary Government

Functions/Programs

Primary Government

Governmental activities

General government support
Debt interest
Accretion

Expenses

Governmental Activities

	\$	109,407	\$	(109,407)
		395,032		(395,032)
		<u>312,586</u>		<u>(312,586)</u>

Total primary government

	\$	<u>817,025</u>		<u>(817,025)</u>
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General Revenues

Tobacco settlement revenues		430,893		
Interest		360		
Miscellaneous income		<u>39,030</u>		
Total general revenues		<u>470,283</u>		

Change In Net Assets				(346,742)
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Net Deficit - Beginning				<u>(9,033,496)</u>
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Net Deficit - Ending	\$			<u>(9,380,238)</u>
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The accompanying notes are an integral part of these financial statements.

Wyoming Tobacco Asset Securitization Corporation
Balance Sheets
Governmental Funds
December 31, 2010

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Assets			
Cash and cash equivalents	\$ 68,733	\$ -	\$ 68,733
Restricted cash	<u>-</u>	<u>620,634</u>	<u>620,634</u>
Total Assets	<u>\$ 68,733</u>	<u>\$ 620,634</u>	<u>\$ 689,367</u>
FUND BALANCES			
Fund Balances			
Reserved for			
Debt service	\$ -	\$ 620,634	\$ 620,634
Undesignated	<u>68,733</u>	<u>-</u>	<u>68,733</u>
Total fund balances	<u>68,733</u>	<u>620,634</u>	<u>689,367</u>
Total Fund Balances	<u>\$ 68,733</u>	<u>\$ 620,634</u>	<u>\$ 689,367</u>

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

Wyoming Tobacco Asset Securitization Corporation
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
December 31, 2010

Total governmental fund balances		\$	689,367
Amounts reported for governmental activities in the statement of net assets are different because:			
Revenue is recognized when available in the governmental funds. Revenue earned during 2010 but not available until 2011 and recorded as a receivable in the government-wide statements.			558,100
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of the following:			
Bonds payable			(9,395,030)
Other differences			
Accrued interest	(32,627)		
Accretion payable - TASC V	(1,197,683)		
Amortization of bond discount	<u>(2,365)</u>		
Total other differences			<u>(1,232,675)</u>
Net deficit of governmental activities		\$	<u>(9,380,238)</u>

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

Wyoming Tobacco Asset Securitization Corporation
Statements of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2010

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Tobacco settlement revenues	\$ -	\$ 587,926	\$ 587,926
Interest	95	265	360
Miscellaneous income	39,030	-	39,030
Total revenues	<u>39,125</u>	<u>588,191</u>	<u>627,316</u>
Expenditures			
General administrative expenses	22,916	49,126	72,042
Debt principal	-	140,000	140,000
Debt interest	-	395,736	395,736
Transfer to County	35,000	-	35,000
Total expenditures	<u>57,916</u>	<u>584,862</u>	<u>642,778</u>
Excess (Deficit) of Revenues over Expenditures	(18,791)	3,329	(15,462)
Fund Balances - Beginning	<u>87,524</u>	<u>617,305</u>	<u>704,829</u>
Fund Balances - Ending	<u>\$ 68,733</u>	<u>\$ 620,634</u>	<u>\$ 689,367</u>

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

Wyoming Tobacco Asset Securitization Corporation
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2010

Net change in fund balances - total governmental funds	\$ (15,462)
Amounts reported for governmental activities in the statement of activities are different because:	
Changes in accrual of interest payable on bonds.	704
Changes in accretion on bonds.	(312,586)
Changes in accrual of tobacco settlement revenue.	(157,033)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current period, these amounts are the following:	
Debt repayments	140,000
Other differences	
Amortization of bond discount	<u>(2,365)</u>
Change in net assets of governmental activities	<u>\$ (346,742)</u>

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

WYOMING TOBACCO ASSET SECURITIZATION CORPORATION
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Reporting Entity - 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. Wyoming Tobacco Asset Securitization Corporation (WTASC) 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.

In November 2005, New York Counties Tobacco Trust V ("NYCTT V") issued Tobacco Settlement Pass-Through Bonds, subordinate to the original bonds, whose proceeds were shared by the twenty-four TASCs participating in the issuance. Each TASC's Series 2005 bonds are payable from and secured by all Tobacco Settlement Revenues (TSRs) allocated to the related County under the MSA; investment earnings on amounts in certain funds and accounts established under the Indenture; any amounts on deposits in such funds and accounts held as security for the TASC's Series 2005 bonds; and certain amounts expected to become available from funds and accounts created under the TASC Indenture as security for prior bonds upon their retirement.

During 2000, Wyoming County (the County) sold its right to receive payments under the MSA to the Wyoming Tobacco Asset Securitization Corporation (WAS) for \$6,699,185 for the Series 2000 bonds and \$3,524,499 for the Series 2005 bonds. These amounts were used to defease bonds held by the County. The County is the sole beneficial interest in WTASC Residual Trust (the Trust). The Trust is a Delaware business trust to which WTASC has conveyed to the County a residual interest in all the Tobacco Settlement Revenues annually received in excess of those required to pay debt service on Series 2000 Bonds. WTASC's right to receive Tobacco Settlement Revenues is its most significant asset, and is expected to produce cash flow to fund its obligations.

WTASC is a special-purpose local development corporation organized under the Not-For-Profit Corporation Law of the State of New York. 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, WTASC is required to be included in the basic financial statements of the County of Wyoming, New York. Accordingly, WTASC is presented as a blended component unit of the County.

Basis of Presentation - WTASC is considered to be a governmental entity and presents its basic financial statements according to practices promulgated by GASB.

Government-wide Statements - The statement of net assets and the statement of activities and changes in net assets display financial activities of the overall WTASC. Eliminations have been made to minimize double counting of internal activities. These statements are required to distinguish between governmental and business-type activities of WTASC. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. WTASC currently does not maintain any business-type activities.

The statement of activities and changes in net assets is designated to present a comparison between direct expenses and program revenue for each function of WTASC's governmental activities. Given the specific nature of WTASC's purpose, its only function is displayed as the monitoring of the County's tobacco proceeds.

WYOMING TOBACCO ASSET SECURITIZATION CORPORATION
Notes to Financial Statements

Fund Financial Statements - The fund financial statements provide information about WTASC's funds. The emphasis of the fund financial statements is on major governmental funds, each displayed in a separate column.

WTASC reports the following as major funds:

General Fund - this is WTASC's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Debt Service Fund - this fund accounts for resources accumulated and payments made for principal and interest on long-term debt obligations of governmental activities on behalf of the County.

Basis of Accounting and Measurement Focus - The government-wide financial statements are reported using the economic resource 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 flows take place.

Governmental funds 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. WTASC considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent that they have matured. Capital asset purchases are reported as expenditures in governmental funds. Proceeds of long-term liabilities are reported as other financing sources.

No revenues are generated from operating activities of WTASC; therefore, all revenues are defined by WTASC as non-operating revenues. Revenues are received in the general fund and debt service fund. Overhead expenses of WTASC that arise in the course of bond administration are considered operating expense and are accounted for in the general fund. Expenditures related to debt payments are considered non-operating expenses and are accounted for in the debt service fund.

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 the statements of financial position and statements of cash flows, cash and cash equivalents includes commercial paper, cash in money market funds, certificates of deposit, and all highly liquid investments with original maturities of three months or less.

Note 2. Bonds Payable

WTASC issued \$7,740,000 of Tobacco Settlement Pass-Through Bonds, Series 2000 (TASC I), pursuant to an indenture dated December 7, 2000. The net proceeds of the Series 2000 Bonds were used by WTASC to fund an initial debt service fund in the amount of \$617,430, and to finance the cash portion of the purchase price of WTASC's interest in the Tobacco Settlement Revenues (TSRs) in the amount of \$6,699,185, which was paid to the County.

On November 15, 2005, WTASC issued \$3,524,499 of Tobacco Settlement Pass-Through Bonds, Series 2005 (TASC V), the proceeds of which were used to pay down a portion of the County's debt. The TASC's Series 2005 bonds are subordinate to the bonds previously issued and subject to the rights of the holders of all prior bonds and any bonds issued on parity with the prior bonds to refund the prior bonds under the TASC indenture.

The payment of the Series 2000 and 2005 Bonds are dependent on the receipt of TSRs. The amount of TSRs actually collected is dependent on many factors, including cigarette consumption. Such bonds are secured by and payable solely from TSRs and investment earnings pledged under the Bond Indenture and amounts established and held in accordance with the Bond Indenture. In the event sufficient funds are not available to meet maturities, rated maturity dates will be used to extend the maturity schedule of the bonds.

WYOMING TOBACCO ASSET SECURITIZATION CORPORATION
Notes to Financial Statements

Bonds payable - TASC I consist of the following at December 31, 2010:

Serial Bonds - Redeemable in annual installments of various amounts beginning June 1, 2002 through June 1, 2015. Interest is payable in semi-annual installments at rates ranging from 5.250% to 6.300%.	\$ 300,000
Term Bonds - Redeemable in annual installments of various amounts beginning June 1, 2016 through June 1, 2019. Interest is payable in semi-annual installments at 6.300%.	510,000
Flexible Amortization Bonds - Redeemable in annual installments of various amounts beginning June 1, 2024 through June 1, 2028. Interest is payable in semi-annual installments at 6.250%.	755,000
Flexible Amortization Bonds - Redeemable in annual installments of various amounts beginning June 1, 2029 through June 1, 2035. Interest is payable in semi-annual installments at 6.500%.	2,050,000
Flexible Amortization Bonds - Redeemable in annual installments of various amounts beginning June 1, 2036 through June 1, 2042. Interest is payable in semi-annual installments at 6.625%.	<u>2,440,000</u>
Total	6,055,000
Less, current portion	<u>(360,000)</u>
Long-term portion	<u>\$ 5,695,000</u>

Scheduled repayment of these TASC I obligations is currently estimated as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 360,000	\$ 377,149	\$ 737,149
2012	270,000	361,049	631,049
2013	285,000	343,986	628,986
2014	295,000	325,855	620,855
2015	310,000	306,646	616,646
2016 - 2020	2,090,000	1,176,360	3,266,360
2021 - 2025	<u>2,445,000</u>	<u>357,913</u>	<u>2,802,913</u>
Total	<u>\$ 6,055,000</u>	<u>\$ 3,248,958</u>	<u>\$ 9,303,958</u>

Bonds payable - TASC V consist of the following at December 31, 2010:

Subordinate Turbo CABs - Redeemable in installments of estimated to begin on June 1, 2015 based upon the estimated collections of the payments under the MSA. Interest is accrued at 6.000%. Final payment of principal and accrued interest is due June 1, 2038. In 2009, outstanding principal of \$193,927 was repaid using trapped funds. See Note 5.	\$ 1,063,305
Subordinate Turbo CABs - Redeemable in installments of estimated to begin on June 1, 2024 based upon the estimated collections of the payments under the MSA. Interest is accrued at 6.100%. Final payment of principal and accrued interest is due June 1, 2050.	716,046
Subordinate Turbo CABs - Redeemable in installments of estimated to begin on June 1, 2026 based upon the estimated collections of the payments under the MSA. Interest is accrued at 6.850%. Final payment of principal and accrued interest is due June 1, 2055.	428,273
Subordinate Turbo CABs - Redeemable in installments of estimated to begin on June 1, 2028 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>1,222,752</u>
Sub-total	3,430,376
Less, bond discount	<u>(87,981)</u>
Total	3,342,395
Less, current portion	-
Long-term portion	<u>\$ 3,342,395</u>

WYOMING TOBACCO ASSET SECURITIZATION CORPORATION
Notes to Financial Statements

The discount received upon issuance of the refunding bonds is amortized over the life of the refunding bonds on a straight-line basis.

Scheduled repayment of these TASC V obligations is currently estimated as follows:

	<u>Principal</u>	<u>Accretion</u>	<u>Total</u>
2011	\$ -	\$ 332,700	\$ 332,700
2012	-	356,145	356,145
2013	-	381,267	381,267
2014	-	408,189	408,189
2015	-	437,041	437,041
2016 - 2020	-	2,695,981	2,695,981
2021 - 2025	-	3,801,143	3,801,143
2026 - 2030	-	5,368,293	5,368,293
2031 - 2035	-	7,594,126	7,594,126
2036 - 2040	1,063,305	9,603,360	10,666,665
2041 - 2045	-	12,375,259	12,375,259
2046 - 2050	716,046	17,499,548	18,215,594
2051 - 2055	428,273	21,514,204	21,942,477
2056 - 2060	1,222,752	23,807,625	25,030,377
Total	<u>\$ 3,430,376</u>	<u>\$ 106,174,881</u>	<u>\$ 109,605,257</u>

This bond shall not be a debt of either the State or the County of Wyoming, 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 3. Contingency and Concentration of Credit Risk

At December 31, 2010, WTASC's cash was either insured by the Federal Deposit Insurance Corporation or secured by securities held in the bank's trust department in WTASC's name. WTASC's investment policy provides for eligible investments in defeasance collateral, obligations of FHLMC, FNMA, or the Federal Farm Credit System, demand and time deposit amounts and certificates of deposit, general obligations of states and guaranteed state obligations, commercial or finance company paper, repurchase obligations, corporate securities bearing interest, taxable money market funds, investments agreements or guaranteed investment contracts, and other obligations or securities that are noncallable.

Custodial credit risk is the risk that in the event of a bank failure WTASC's deposits may not be returned to it. At December 31, 2010, WTASC's bank deposits were fully collateralized by FDIC coverage and securities held by the pledging institution's trust department or agent in WTASC's name.

Restricted cash represents cash and cash equivalents whose use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes and amounted to \$620,634 as of December 31, 2010.

Note 4. Net Deficit

The net 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 were made in the first five years of the agreement, starting with \$2.4 billion in 1999; the last four of these were 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 and ending in 2003.

Annual payments to the State 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 will be 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.

Wyoming Tobacco Asset Securitization Corporation
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues				
Interest	\$ -	\$ -	\$ 95	\$ 95
Miscellaneous income	-	-	39,030	39,030
Total revenues	<u>-</u>	<u>-</u>	<u>39,125</u>	<u>39,125</u>
Expenditures				
General administrative expenses	47,982	47,982	22,916	25,066
Transfers to County	-	-	35,000	(35,000)
Total expenditures	<u>47,982</u>	<u>47,982</u>	<u>57,916</u>	<u>(9,934)</u>
Excess (Deficit) Of Revenues Over Expenditures	(47,982)	(47,982)	(18,791)	29,191
Fund Balances - Beginning	<u>87,524</u>	<u>87,524</u>	<u>87,524</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 39,542</u>	<u>\$ 39,542</u>	<u>\$ 68,733</u>	<u>\$ 29,191</u>



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

To the Board of Directors
Wyoming Tobacco Asset Securitization Corporation
Warsaw, New York

We have audited the financial statements of the governmental activities and each major fund of Wyoming Tobacco Asset Securitization Corporation, as of and for the year ended December 31, 2010, which collectively comprise the WTASC's basic financial statements and have issued our report thereon dated March 17, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Wyoming 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 Wyoming Tobacco Asset Securitization Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Wyoming 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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Wyoming 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 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 report is intended solely for the information and use of the Board of Directors and management of the Wyoming Tobacco Asset Securitization Corporation and is not intended to be and should not be used by anyone other than these specified parties.

EFP Rotenberg, LLP

EFP Rotenberg, LLP
Rochester, NY
March 17, 2011