

**SCHUYLER TOBACCO ASSET
SECURITIZATION CORPORATION**

Watkins Glen, New York

Financial Statements

December 31, 2001 and 2000

SCHUYLER TOBACCO ASSET SECURITIZATION CORPORATION

DECEMBER 31, 2001 and 2000

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Schuyler Tobacco Asset
Securitization Corporation
Watkins Glen, New York

We have audited the accompanying statements of financial position of the Schuyler Tobacco Asset Securitization Corporation, a related party of the County of Schuyler, as of December 31, 2001 and 2000, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Schuyler Tobacco Asset Securitization Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Schuyler Tobacco Asset Securitization Corporation, as of December 31, 2001 and 2000, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Ciaschi, Dietrich, Little, Johnson & Company LLP

January 31, 2002
Ithaca, New York

SCHUYLER TOBACCO ASSET SECURITIZATION CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31,

	<u>2001</u>	<u>2000</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents		
Unrestricted	\$ 131,115	\$ 28,378
Prepaid expenses	5,158	-0-
Accrued interest	<u>1,557</u>	<u>1,123</u>
Total Current Assets	137,830	29,501
Investments held by Trustee	276,545	267,810
Tobacco settlement rights, net of accumulated amortization of \$111,465 in 2001 and \$-0- in 2000.	2,675,162	2,786,627
Bond issuance and closing costs, net of accumulated amortization of \$2,202 in 2001 and \$104 in 2000	<u>50,463</u>	<u>52,560</u>
Total Assets	<u>\$ 3,140,000</u>	<u>\$ 3,136,498</u>
<u>LIABILITIES AND NET ASSETS (DEFICIT)</u>		
Current Liabilities		
Accounts payable	\$ -0-	\$ 2,518
Accrued interest payable	13,255	13,439
Deferred tobacco receipts	94,272	-0-
Current portion of bonds payable	<u>95,000</u>	<u>45,000</u>
Total Current Liabilities	202,527	60,957
Bonds payable, \$3,235,000 and \$3,280,000 par, less unamortized discount of \$122,355 in 2001 and \$127,464 in 2000, less current portion	<u>3,017,645</u>	<u>3,107,536</u>
Total Liabilities	<u>3,220,172</u>	<u>3,168,493</u>
Net assets (deficit)	<u>(80,172)</u>	<u>(31,995)</u>
Total Net Assets (Deficit)	<u>(80,172)</u>	<u>(31,995)</u>
Total Liabilities and Net Assets (Deficit)	<u>\$ 3,140,000</u>	<u>\$ 3,136,498</u>

See Independent Auditors' Report and Notes to Financial Statements

SCHUYLER TOBACCO ASSET SECURITIZATION CORPORATION
 STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31.

	<u>2001</u>	<u>2000</u>
Revenues		
Tobacco asset settlement receipts	\$ 293,532	\$ -0-
Interest income	<u>21,811</u>	<u>1,123</u>
Total Revenues	<u>315,343</u>	<u>1,123</u>
Expenses		
Residual to Schuyler County	17,844	15,237
Insurance expense	7,216	2,019
Professional fees	15,388	2,000
Interest expense	208,003	13,692
Amortization of bond issuance and closing costs	2,098	104
Amortization of tobacco asset settlement rights	111,465	-0-
All other costs	<u>1,506</u>	<u>66</u>
Total Expenses	<u>363,520</u>	<u>33,118</u>
Excess (Expenses) Over Revenues	(48,177)	(31,995)
Net Assets (Deficit), January 1,	<u>(31,995)</u>	<u>-0-</u>
Net Assets (Deficit), December 31,	<u>\$ (80,172)</u>	<u>\$ (31,995)</u>

See Independent Auditors' Report and Notes to Financial Statements

SCHUYLER TOBACCO ASSET SECURITIZATION CORPORATION
 STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	2001	2000
Cash Flows from Operating Activities:		
Excess (expenses) over revenues	\$ (48,177)	\$ (31,995)
Reconciliation of excess (expenses) over revenues to net cash provided (used) by operating activities:		
Amortization of bond issuance and closing costs	2,098	104
Amortization of discount on bond payable	5,109	253
Amortization of tobacco asset settlement rights	111,465	-0-
(Increase) in:		
Prepaid expenses	(5,158)	-0-
Accrued interest	(434)	(1,123)
(Decrease) increase in:		
Accounts payable	(2,518)	2,518
Deferred tobacco receipts	94,272	-0-
Accrued interest	(185)	13,439
Net Cash Provided (Used) by Operating Activities	156,472	(16,804)
Cash Flows from Investing Activities:		
Cash used to purchase tobacco settlement rights	-0-	(2,786,627)
Purchase of investments held by Trustee	(8,735)	(267,810)
Net Cash (Used) by Financing Activities	(8,735)	(3,054,437)
Cash Flows from Financing Activities:		
Proceeds from bonds issued	-0-	3,152,283
Bond issuance and closing costs	-0-	(52,664)
Repayment of bonds	(45,000)	-0-
Net Cash (Used) Provided by Financing Activities	(45,000)	3,099,619
NET INCREASE IN CASH AND CASH EQUIVALENTS	102,737	28,378
Cash and cash equivalents, January 1,	28,378	-0-
Cash and cash equivalents, December 31,	\$ 131,115	\$ 28,378
Noncash Financing Activity		
Bond issuer and underwriter discounts	\$ -0-	\$ 127,717

See Independent Auditors' Report and Notes to Financial Statements

SCHUYLER TOBACCO ASSET SECURITIZATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001 and 2000

Note 1 - Summary of Significant Accounting Policies

Organization and Purpose

The Schuyler Tobacco Asset Securitization Corporation (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 Schuyler 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 (NYCTT). 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.

The financial statements of the Schuyler Tobacco Asset Securitization Corporation have been prepared in conformity with generally accepted accounting principles (GAAP). Significant accounting policies are:

Basis of Accounting

The accounts of the Corporation are maintained on the accrual basis of accounting.

Income Tax

The Corporation is exempt from federal and state income taxes under Section 501 (c)(3) of the Internal Revenue Code.

Cash and Cash Equivalents

The Corporation considers all highly liquid investments having an original maturity of three months or less to be cash equivalents.

Investments

Investments are recorded at fair value.

Tobacco Settlement Rights

Tobacco Settlement Rights have been recorded at cost, which is the net proceeds of the bonds issued by the Corporation. The net proceeds represent the face value of the bonds less discounts and issue costs associated therewith less the mandated liquidity reserve and initial operating cost allocation. This asset will be amortized over a 25 year period, unless a greater adjustment is necessary due to the present value of future cash flows from Tobacco Settlement funds.

Bond Issuance and Closing Costs

Bond issuance costs will be amortized over a 25 year period using the straight-line method.

Bonds Payable and Related Discounts

Bonds payable, in the amount of \$3,235,000 and \$3,280,000, have been recorded net of issuer and underwriter discounts of \$47,144 and \$80,573 in 2001 and 2000, respectively, which will be amortized over a 25 year period using the straight-line method.

Operating Costs

The Corporation is notified annually by the bond attorneys of the amount that it may draw down from the Trust in advance for that year's operating costs. That amount may vary from year to year, but should approximate \$34,000 annually.

Use of Estimates

SCHUYLER TOBACCO ASSET SECURITIZATION CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (CONTINUED)
DECEMBER 31, 2001 and 2000

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Note 2 - Investments Held by Trustee

Investments held by Trustee represent a mandated TASC liquidity reserve, in the amount of \$276,545 in 2001 and \$267,810 in 2000, and held in trust at December 31, 2001, this reserve is comprised of commercial paper maturing June 3, 2002 recorded at cost, which approximates fair value. At December 31, 2000, the reserve consisted of commercial paper maturing on June 1, 2001. It was recorded at cost, which approximates fair value. The investment was held to maturity.

Note 3 - Projected Debt Service

The County's future right, title, and interest in the Tobacco Settlement Revenues were financed through the issuance of Bonds in the amount of \$3,280,000 in 2000. The bonds bear interest rates ranging from 5.000% to 6.625%.

Projected required minimum debt service requirements over 42 years are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ -0-	\$ 204,383	\$ 204,383
2002	5,000	207,716	212,716
2003	20,000	207,060	227,060
2004	5,000	206,410	211,410
2005	5,000	206,157	211,157
2006-2010	65,000	1,023,295	1,088,295
2011-2015	135,000	995,304	1,130,304
2016-2020	305,000	934,911	1,239,911
2021-2025	500,000	808,804	1,308,804
2026-2030	625,000	633,044	1,258,044
2031-2035	595,000	435,863	1,030,863
2036-2040	700,000	225,251	925,251
2041-2042	320,000	21,528	341,528
	<u>\$ 3,280,000</u>	<u>\$ 6,109,726</u>	<u>\$ 9,389,726</u>

There is a 25 year flexible amortization option and it is the intent of the TASC's and the trust to select that option.

Projected flexible minimum debt service requirements over 25 years are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 45,000	\$ 203,078	\$ 248,078
2002	95,000	202,496	297,496
2003	100,000	196,910	296,910
2004	70,000	192,055	262,055
2005	70,000	188,032	258,032
2006-2010	495,000	860,314	1,355,314
2011-2015	680,000	676,299	1,356,299
2016-2020	995,000	418,644	1,413,644

SCHUYLER TOBACCO ASSET SECURITIZATION CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (CONTINUED)
 DECEMBER 31, 2001 AND 2000

2021-2025	730,000	70,223	800,223
	\$ 3,280,000	\$ 3,008,051	\$ 6,288,051

Based on the 25 year flexible amortization option, the current and long-term portion of bonds payable at December 31, is as follows:

	2001	2000
Current position	\$ 95,000	\$ 45,000
Long-term position	3,017,645	3,107,536
Total Bonds Payable, Net of Unamortized Discount	\$ 3,112,645	\$ 3,152,536

Note 4 - Relationship to Schuyler County

The Schuyler Tobacco Asset Securatization Corporation is a local development corporation organized pursuant to Section 1411 of Not for Profit Law of the State of New York. It is controlled by a group of four directors of the corporation, who are appointed by the Chair of the Schuyler County Legislature. At this time, two directors are members of the County Legislature, one is a member of the management team of the County, and one member who has no affiliation with the County. The Corporation is deemed to be a component unit of Schuyler County and will be presented in the annual financial statements of the Schuyler County as a discretely presented component unit.