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To: County Chief Fiscal Officers

From: Division of Local Government Services and Economic Development

Subject: Reporting of Tobacco Asset Securitization Corporations

Please give copies of this bulletin to others who may need this information.

Purpose of Bulletin

The purpose of this bulletin is to amend our [January 2001 bulletin](#) entitled '*Tobacco Settlement Payments*' based upon the release of GASB Technical Bulletin No. 2004-1 '*Tobacco Settlement Recognition and Financial Reporting Entity Issues*.'

Amendments

In our January 2001 release, we noted that many counties had elected to securitize tobacco settlement payments and had created single purpose Local Development Corporations referred to as Tobacco Asset Securitization Corporations (TASC). These counties sold their right to receive future tobacco settlement payments to the Corporations in exchange for proceeds of debt issued by the Corporations. At the time of our January 2001 release, we concluded that a TASC was not considered a component unit of the county and only note disclosure was required in the county's financial statements.

Based upon the issuance of GASB Technical Bulletin No. 2004-1 (April 2004), we now conclude that due to the TASC's clear right to future tobacco settlement revenues, the counties' entitlement to resources of the TASC's and the counties' appointment of the voting majority of the TASC governing board, a TASC should be considered a component unit of the county that securitizes tobacco settlement payments. We also conclude that based on the criteria provided in GASB Statement No. 14, '*The Financial Reporting Entity*' (see August 1992 bulletin), we support blending as the method for including most TASC's into counties' financial reporting entities.

Effective Date of Transition

The provisions of GASB Technical Bulletin No. 2004-1 are effective for financial statements for periods ending after June 15, 2004. Adjustments resulting from a change to comply with this bulletin should be recorded as prior period adjustments. The financial statements of all prior periods presented should be restated, if practical, to show the financial information of the new reporting entity for all periods. If restatement is not practical, the cumulative effect of applying this bulletin should be reported as a restatement of beginning fund balance/net assets for the earliest period restated. In the period this bulletin is first applied, the financial statements should disclose the nature of the restatement and its effects.

Sample Disclosure

During _____ the County sold its right to receive payments under a Master Settlement Agreement with the tobacco industry to the Tobacco Asset Securitization Corporation (TASC) for \$xxx. The debt issued by the TASC to securitize these revenues is not considered debt of the County and is secured only by perpetual tobacco settlement payments.

(AND)

The TASC is considered a component unit (blended presentation) of the county based on the guidance provided in GASB Statement No. 14 (and/or) Technical Bulletin No. 2004-1 and is included as part of the County's financial reporting entity as of December 31, 2004.

(OR)

The County had formerly concluded that the TASC did not meet the criteria of a component unit as defined in the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. As a result, since _____, the financial statements of the TASC have been prepared on a stand-alone basis and had not been included in the County's financial statements. However, based on the additional guidance provided by GASB Technical Bulletin No. 2004-1, the TASC will begin to be reported as a blended component unit of the County in its financial statements for the year ending December 31, 2004.

Additional Information

If you require additional information or need technical assistance, please contact the regional office that serves your County. A listing of regional offices is enclosed.

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