TSA

TOBACCO SETTLEMENT AUTHORITY

Tobacco Settlement Authority

Special Meeting

November 16, 2021

TSA

TOBACCO SETTLEMENT AUTHORITY

Meeting Agenda - Revised

YOU ARE HEREBY NOTIFIED that the Tobacco Settlement Authority will hold a **Special Meeting** at 1:00 p.m. prevailing Pacific Time, on Tuesday, November 16, 2021, to consider the items in the agenda below.

Per the Governor's proclamation regarding the Open Public Meetings Act and Public Records Act (Proclamation 20-28) and due to extraordinary public-health circumstances related to the ongoing COVID-19 (coronavirus) outbreak, participation in this meeting will only be offered virtually.

To join virtually, please go to www.zoom.us and enter:

Meeting ID: 892 1905 4746
Password: 307233

Participants using a computer without a microphone who wish to participate verbally, please dial: 1-(888) 788-0099 U.S. toll-free

Please note that the line will be muted to the public except during the public comment portions of the meeting.

I. CALL TO ORDER: *Chair, Carla DewBerry*

II. APPROVAL OF THE JUNE 28, 2021 SPECIAL MEETING MINUTES: *Chair* **1**

III. ACTION ITEMS:

A. Consider and Act on Staff Recommendations Regarding Selection of Bond Counsel – *Carol Johnson* **2**

B. Finance Report – *Bob Cook*

1. Consider and Act on acceptance of Final Audit Report **3**

   a. Presentation of Independent Auditor's Report – *Amy Sutherland, Moss Adams, LLP*

2. Consider and Act on acceptance of the current Financial Statement **4**

3. Invoice for Services **5**

IV. INFORMATION ITEMS

A. Tobacco Securitization Market Update – *Kym Arnone, Jefferies LLC* **6**

B. Trustee Report – *Christine Ok, U.S. Bank* **7**

C. Summary of 2004 NPM Adjustment Arbitration Decision

– *Rene Tomisser, Senior Counsel, Attorney General Office*

V. ADDITIONAL INFORMATION ITEMS

A. Executive Director's Report – *Steve Walker*

B. Authority Meeting Schedule – *Steve Walker*

1. June 1, 2022
2. December 7, 2022

VI. PUBLIC COMMENT : *Chair*

(*May limit public comment to five minutes or less per person*).

VII. MISCELLANEOUS BUSINESS AND CORRESPONDENCE **8**

VIII. EXECUTIVE SESSION

IX. ADJOURNMENT

TAB 1

TOBACCO SETTLEMENT AUTHORITY
Special Meeting

Minutes

June 28, 2021

Board Chair, Ms. Carla DewBerry, called the meeting of the Tobacco Settlement Authority (the "Authority") to order at 11:02 a.m. via Zoom and conference call.

Board members present on the line were Mr. Tim Kerr, Mr. Wolfgang Opitz, Mr. Ken Vyhmeister, and Mr. James Krejci. Authority staff members present were Mr. Steve Walker, Executive Director; Mr. Paul Edwards, Deputy Director; Mr. Bob Cook, Senior Finance Director; Mr. Lucas Loranger, Senior Controller; Ms. Carol Johnson, Affiliates Manager; and Ms. Rona Monillas, Affiliates Program Assistant.

Finance team members present were Ms. Deanna Gregory of Pacifica Law Group; Ms. Christine Ok of U.S. Bank; Mr. Rusty Fallis from the Washington Attorney General's Office; Mr. Fred Eoff of Public Financial Management Group; Ms. Kym Arnone of Jefferies LLC; Mr. Roger Bagley and Mr. Howard Zucker of Hawkins Delafield and Wood; and Mr. Jigar Bhakta and Mr. Michael Jang of Citigroup.

Approval of the Jan. 26, 2021 Special Meeting Minutes

Ms. DewBerry asked for a motion to approve the minutes of the meeting held on January 26, 2021. Mr. Kerr made the motion, and it was seconded by Mr. Opitz. The minutes were approved unanimously, 5-0.

Election of Secretary and Treasurer

Ms. DewBerry introduced Mr. Walker to present the election of Board Secretary and Treasurer.

Mr. Walker stated that each year the Board elects a Secretary and a Treasurer. He noted that the past year, Mr. Kerr served as Secretary and Mr. Opitz served as Treasurer. He added that both Mr. Kerr and Mr. Opitz agreed to continue in their roles as Secretary and Treasurer if the Board chose to nominate and re-elect them.

Mr. Opitz made the motion to elect Mr. Kerr as Secretary. The motion was seconded by Mr. Krejci. The motion was approved unanimously, 5-0.

Mr. Kerr made the motion to elect Mr. Opitz as Treasurer. The motion was seconded by Mr. Vyhmeister. The motion was approved unanimously, 5-0.

Action Item: Approval of the Annual Budget

Ms. DewBerry introduced Mr. Cook to present the proposed annual budget for the fiscal year beginning July 1, 2021 thru June 30, 2022.

Mr. Cook stated that the Authority is budgeting $144,692 in total expenses. He said that this is a 30% increase over the current year's budget to make allowance for additional legal review and submission of extensive public records in relation to a lawsuit between all counties in Washington and JUUL Labs, Inc.

Mr. Cook said that in April 2022, the Authority is anticipating requesting $92,000 in operating revenues from the Tobacco Settlement Revenues (TSR). He added that during the current fiscal year, the Authority recognized approximately $89,000 in operating revenues from the TSR.

Mr. Cook provided an overview of the expense budget for the fiscal year ending June 30, 2022. He then called the Board's attention to a more detailed breakdown of the expenses.

Mr. Vyhmeister asked why the predicted salary and wage budget is twice as large as the historical actual. Mr. Cook said that the high amount provides the Authority with a buffer in case more work is required during the fiscal year.

Mr. Krejci asked if professional fees in the proposed budget include audit fees and if total professional fees budgeted is consistent with prior years. Mr. Cook said that audit fees are included and that they were increased for the upcoming fiscal year because an allowance for the the state audit is included and it occurs every-other year.

Ms. DewBerry asked for a motion to accept the budget for fiscal year 2021-2022. Mr. Opitz made the motion, and it was seconded by Mr. Vyhmeister. The budget was approved unanimously, 5-0.

Action Item: Review & Consider Approval of Current Financial Statement

Mr. Cook presented the unaudited, current financial statement of the Authority's General Operating Fund. Mr. Cook stated that the financial statement as of April 30, 2021 shows assets of approximately $178,000 with $14,000 in liabilities, leaving a net unrestricted position of around $163,000. He pointed out that nearly all the $89,000 in revenue came from the Officer's Certificate, which was submitted in April. He then referred to the detailed breakdown of the expenses on the last page of the unaudited financial statement.

Mr. Cook stated that the invoices from the Housing Finance Commission covering October 2020 through March 2021, totaling over $19,000, have been approved by Board Treasurer, Mr. Opitz.

Ms. DewBerry asked for a motion to approve the current financial statement. Mr. Krejci made the motion, and it was seconded by Mr. Kerr. The motion was approved unanimously, 5-0.

Tobacco Securitization Market Update

Ms. DewBerry introduced Ms. Kym Arnone to present the Tobacco Securitization Market update.

Ms. Arnone stated that investors are completely influenced by market technicals. She said that high yield and high grade bond inflows are currently massive, with weekly record inflows.

Ms. Arnone reported that the Original Participating Manufacturer (OPM) shipments were down to 0.05% to slightly over $183 billion, while total industry shipments increased by 2.02%. She added that this is positive from a credit perspective.

Ms. Arnone reported that the Food and Drug Administration (FDA) responded to a lawsuit stating that the agency will pursue rulemaking to prohibit menthol-flavored cigarettes. The FDA has advised that the new regulation be written over the course of at least a year, after which it will be open to public comment. She added that some states have also introduced legislation to ban the sale of flavored tobacco, including menthol cigarettes.

Trustee Report

Ms. DewBerry introduced Ms. Ok, the Bond Trustee from U.S. Bank National Association, to present the Trustee's Report.

Ms. Ok reported that annual receipts from the TSRs were received and applied to the upcoming principal and interest payments in June. She explained that because funds are only received once a year, a portion was set aside for December payments as well as the Authority's annual expenses. She added that in June the Authority was able to optionally redeem $17,557,417 of bonds which was applied to the 2013 bonds.

Ms. Ok detailed that Series 2013 bonds were outstanding in the amount of $48,960,000 and Series 2018 bonds were outstanding in the amount of $43,630,000, totaling $92,590,000 in total bonds outstanding.

Ms. Ok stated that the required semi-annual report was submitted to the rating agency in June. She also reported that the total reserve was maintained at $31,997,719.44.

Status of Non-participating Manufacturer (NPM) Adjustment Arbitration

Ms. DewBerry introduced Mr. Rusty Fallis from the Attorney General's Office to give the status report on the Nonparticipating Manufacturer (NPM) adjustment arbitration.

Mr. Fallis reported that the arbitration panel still has not issued a decision on the 2004 NPM adjustment arbitration.

Mr. Fallis stated that arbitration for the 2005, 2006, and 2007 sales years will be next. He said that the first stage of the hearing, which is a collective group presentation of evidence, will begin in the spring of next year. The state-specific hearings will likely begin in late summer or fall of that year.

Executive Director's Report

Mr. Walker reported that JUUL Labs Inc. served the Authority with a subpoena in April. He stated that the Authority is not the subject of any legal action or lawsuit. Mr. Walker said that Pacifica Law Group, the Authority's legal counsel, is collaborating with JUUL to understand their needs and narrow their focus. He added that the Authority has been prompt in responding to their requests for information about board meetings, MSA payments, and market reports.

Mr. Walker talked about the TSA Officer's Certificate. He added that this year the Authority requested $88,970 to be transferred to the TSA custody account.

Mr. Walker presented relevant correspondence regarding the updates on the Tobacco Securitization Market and Master Settlement Agreement (MSA) payments.

He added that if there is no change in the schedule, the next Authority board meeting will be on December 1, 2021.

Public Comment

Ms. DewBerry asked if there were any comments from the public. There were none.

Adjournment

Ms. DewBerry adjourned the meeting at 11:42 a.m.

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Ms. Carla DewBerry, Chair

TAB 2

TSA

TOBACCO SETTLEMENT AUTHORITY

MEMORANDUM

To: Authority Members

From: Carol Johnson

Date: November 9, 2021

Re: Summary of Request for Proposals (RFP) Process for Legal Services

CC: Steve Walker, Paul Edwards, Bob Cook, Rona Monillas, Lucas Loranger

At least once every two calendar years, the Tobacco Settlement Authority (TSA) is required to select finance team members through a competitive process.

Current contracts with Pacifica Law Group LLP (Co-Bond Counsel & General Counsel), Hawkins, Delafield & Wood, LLP (Co-Bond Counsel), and Nixon Peabody LLP (Disclosure Counsel) expire on November 30, 2021.

We recently completed the RFP process for selection of legal services for an initial term of two years with options to extend of up to five years. Our recommendation and a request to move to contracting will be presented to you at the November 16, 2021, board meeting.

This memo outlines the RFP process that we followed in accordance with best practices and state law.

September 29, 2021

- The RFP/solicitation was mailed and emailed to 13 firms on our roster of legal firms
- The RFP/solicitation was posted on the State General Administration Database System (Washington's Electronic Business Solution – WEBS) where it was sent to a total of 106 registered subscribers/vendors.
- The RFP/solicitation was published in the Daily Journal of Commerce for two days.
- The RFP/solicitation was posted on our website.

November 3, 2021:

- We received 4 full responses as follows:
    - Hawkins, Delafield and Wood
    - Pacifica Law Group

- Orrick, Herrington & Sutcliffe LLP
- Nixon Peabody

November 9, 2021

- An evaluation team consisting of Steve Walker, Paul Edwards, Carol Johnson, Bob Cook, Lucas Loranger and Rona Monillas thoroughly reviewed the submitted proposals and decided regarding recommendations to you. The evaluation team's recommendations are based upon assessment of each firm's experience, reputation, and fees.
- The evaluation team determined that interviews were not necessary.

TAB 3

Audit Report

(To be distributed to the Board members prior to the meeting)

TAB 4

TOBACCO SETTLEMENT AUTHORITY

November 2, 2021

Authority Directors
Tobacco Settlement Authority
Seattle, Washington

We have compiled the UNAUDITED statement of net position of the Tobacco Settlement Authority (the "Authority"), General Operating Fund, as of September 30, 2021, and the related statement of activities and changes in net position for the month then ended in accordance with generally accepted accounting principles.

This compilation is limited to presenting, in the form of financial statements, information that is accurate to the best of our knowledge and belief. These statements have not been audited or reviewed by an independent third party.

We have elected to omit substantially all of the disclosures required by generally accepted accounting principles including the statement of changes in financial position. If the omitted disclosures were included in the financial statements, they might influence the users' conclusions about the Authority's financial position, results of operations and changes in financial position. Accordingly, these financial statements are not designed for those who are not informed about these matters.

Prepared by: Shirleen Noonan
Shirleen Noonan
General Operations Manager

Approved by: Lucas Loranger
Lucas Loranger
Senior Controller

TSA 1000 Second Avenue, Suite 2700, Seattle, WA 98104-1046
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TOBACCO SETTLEMENT AUTHORITY
GENERAL OPERATING FUND

September 30, 2021
Unaudited

CONTENTS

(See Accountant’s Compilation Report)

Tobacco Settlement Authority
Statement of Net Position
Fund: General Operating Fund
Division: All
September 30, 2021
(See Accountant's Compilation Report)

	Current Year		Prior Year		Variance Amount			Variance %
ASSETS								
Cash and Cash Equivalents:	$	137,647	$	127,581	$	10,066		8%
Prepaid Expenses & Other Receivable		6,777		5,465		1,312	(1)	24%
Total Assets	$	144,424	$	133,046	$	11,378		9%
LIABILITIES								
Accounts Payable and Other Liabilities	$	7,969	$	13,790	$	(5,821)	(2)	-42%
Total Liabilities		7,969		13,790		(5,821)		-42%
NET POSITION								
Unrestricted		136,455		119,256		17,199		14%
Total Net Position		136,455		119,256		17,199		14%
Total Liabilities and Net Position	$	144,424	$	133,046	$	11,378		9%

(1) The increase in prepaid expenses is due to an increase in the cost of the annual insurance premium prepaid each June.
(2) Accounts payables and other liabilities consist mostly of interagency charges, primarily for salaries and benefits expenses allocated based on Commission staff working on TSA matters. The decrease is in part due to fewer hours worked in the current period for the preparation of audited financial statements.

Totals may not add due to rounding.

Tobacco Settlement Authority
Statement of Activities and Changes in Net Position
Fund: General Operating Fund
Division: All
For The Year To Date Ending: September 30, 2021
(See Accountant's Compilation Report)

	Current Period	Current Year to Date	Prior Year to Date	Variance Amount		Variance %
Revenues:						
Interest Earned and Realized Gain	$ 1	$ 2	$ 37	$ (35)		-95%
Total Unadjusted Revenues	1	2	37	(35)		-95%
Expenses:						
Salaries, Wages, and Employee Benefits	2,325	6,688	11,753	(5,065)	(1)	-43%
Professional Fees	108	3,909	4,413	(504)	(2)	-11%
Office Expense	1,518	3,448	2,773	675	(3)	24%
Total Expenses	3,951	14,045	18,938	(4,893)		-26%
Adjustments						
Gains/(Loss) on Investments-Unrealized	-	-	(38)	38		-100%
Total Adjustments	-	-	(38)	38		-100%
(Deficit) Excess of Revenues over Expenses	(3,950)	(14,043)	(18,939)	4,896		-26%
Net Position						
Total net position, beginning of period	140,405	150,498	138,195	12,303		9%
Current Increase (Decrease) to Net Position	(3,950)	(14,043)	(18,939)	4,896		-26%
Total net position, end of year	$ 136,455	$ 136,455	$ 119,256	$ 17,199		14%

(1) The decrease in salaries and benefits is due to reduced allocation of staff hours in the current period.
(2) The decrease in professional fees is attributable to slightly lower legal fees.
(3) The higher office expense is primarily due to an increase in insurance expense.

Totals may not add due to rounding.

Tobacco Settlement Authority
Detailed Statement of Activities
Fund: General Operating Fund
Division: All
For The Year To Date Ending: September 30, 2021
(See Accountant's Compilation Report)

	Variance-YTD vs. PY Actuals		Prior YTD	YTD	YTD	Variance-YTD Budget to Actual	
	%	Amount	Actual	**Actual**	Budget	Amount	%
Revenues:							
Interest Earned and Realized Gain	-94.6%	$ (35)	$ 37	**$ 2**	$ 160	$ (158)	-98.8%
Other Income	NA	-	-	**-**	23,000	(23,000)	-100.0%
Total Unadjusted Revenues	-95%	(35)	37	**2**	23,160	(23,158)	-100%
Expenses:							
Salaries & Wages - Staff & Temp. Svcs	-43.6%	(3,866)	8,871	**5,005**	13,637	(8,632)	-63.3%
Employee Benefits - Staff	-41.6%	(1,198)	2,881	**1,683**	3,381	(1,698)	-50.2%
Travel in state - Staff	NA	-	-	**-**	125	(125)	-100.0%
Accounting Fees	0.9%	30	3,470	**3,500**	10,200	(6,700)	-65.7%
Legal Fees	-56.6%	(534)	943	**409**	8,750	(8,341)	-95.3%
Financial Advisor Fees	NA	-	-	**-**	250	(250)	-100.0%
Office Rent/Conf. Room Rentals	-17.4%	(66)	380	**314**	666	(352)	-52.9%
Advertising	NA	103	-	**103**	-	103	NA
Deliveries	-17.0%	(16)	94	**78**	75	3	4.0%
Insurance	24.1%	438	1,821	**2,259**	1,821	438	24.1%
Meeting Expense	NA	-	-	**-**	88	(88)	-100.0%
Software Maint. Support & Other Info Svcs	88.6%	226	255	**481**	530	(49)	-9.2%
Postage	NA	22	-	**23**	31	(8)	-25.8%
Printing	NA	-	-	**-**	125	(125)	-100.0%
Supplies	2.8%	1	36	**37**	317	(280)	-88.3%
Telephone	-21.7%	(5)	23	**18**	97	(79)	-81.4%
Other Office Expenses	-18.3%	(30)	164	**134**	212	(78)	-36.8%
Total Expenses	-26%	(4,895)	18,938	**14,044**	40,305	(26,261)	-65%
Adjustments							
Revenues:							
Gains/(Loss) on Investments-Unrealized	-100.0%	38	(38)	**-**	-	-	NA
Total Adjustments	NA	38	(38)	**-**	-	-	NA
(Deficit) Excess of Revenues over Expenses	-25.9%	$ 4,897	$ (18,939)	**$ (14,042)**	$ (17,145)	$ 3,103	-18.1%

Totals may not add due to rounding.

TAB 5

Statement of Account

Tobacco Settlement Authority
Proration of costs between TSA and WSHFC
For the period July - Sept 2021

Month	Salaries & Benefits	Office Expenses (1)	Overhead (2)	Invoice Amount
July	$ 2,112.58	$ 185.97	$ 8.24	$ 2,306.79
August	2,243.43	248.85	7.39	2,499.67
September	2,294.81	608.61	11.95	2,915.37
Total Per Category	**$ 6,650.82**	**$ 1,043.43**	**$ 27.58**	**$ 7,721.83**
Previous Balance at June 2021				**8,503.20**
Payments & Credit Memos (through Sept 30, 2021)				**(8,503.20)**
Due to WSHFC:				**$ 7,721.83**

Please make checks payable to:

Washington State Housing Finance Commission
1000 Second Avenue, Suite 2700
Seattle, Washington 98104-1046

(1) Office Expenses are expenses paid by WSHFC on behalf of TSA and allocation of certain HFC expenses based on TSA salary hours as a percentage of total HFC salary hours.

(2) Overhead is the allocation of HFC's depreciation expense based on TSA salary hours as a percentage of total HFC salary hours.

Approval for Payment

Wolf Opitz
Wolf Opitz (Nov 2, 2021 16:20 PDT)

Authority Board Member

Statement of Account

Tobacco Settlement Authority
Proration of costs between TSA and WSHFC
For the period April - June 2021

Month	Salaries & Benefits	Office Expenses (1)	Overhead (2)	Invoice Amount
April	**$ 2,420.32**	**$ 227.68**	**$ 10.28**	**$ 2,658.28**
May	**2,392.92**	**183.71**	**9.02**	**2,585.65**
June	**2,903.03**	**341.28**	**14.96**	**3,259.27**
Total Per Category	**$ 7,716.27**	**$ 752.67**	**$ 34.26**	**$ 8,503.20**

Previous Balance at March 2021	**9,801.09**
Payments & Credit Memos (through June 30, 2021)	**(9,801.09)**
Due to WSHFC:	**$ 8,503.20**

Please make checks payable to:

Washington State Housing Finance Commission
1000 Second Avenue, Suite 2700
Seattle, Washington 98104-1046

(1) Office Expenses are expenses paid by WSHFC on behalf of TSA and allocation of certain HFC expenses based on TSA salary hours as a percentage of total HFC salary hours.

(2) Overhead is the allocation of HFC's depreciation expense based on TSA salary hours as a percentage of total HFC salary hours.

Approval for Payment

Wolfgang Opitz
Wolfgang Opitz (Sep 24, 2021 15:09 PDT)

Authority Board Member

TAB 6

Tobacco Securitization Market Update

(To be distributed to the Board members prior to the meeting)

TAB 7

TOBACCO SETTLEMENT BONDS

Trustee Update November 2021

Structure:
2018 Serial maturities from June 1, 2022 through 2024:
2013 Series maturities from June 1, 2019 through 2022, 2023, and 2027 and 2033

Date	2013 Series Interest Due	2018 Series Interest Due	2013 Series Maturities	2018 Series Maturities	Series 2013 Optional Redemptions
6/1/2018	5,329,212.50		13,215,000		12,505,000
7/2/2018	212,844.06				47,645,000
12/1/2018	3,450,343.75	975,615.28	-	-	-
6/1/2019	3,450,343.75	1,090,750.00	13,665,000		12,750,000
12/1/2019	2,774,031.25	1,090,750.00	-	-	-
6/1/2020	2,774,031.25	1,090,750.00	13,970,000		14,055,000
12/1/2020	2,055,837.50	1,090,750.00	-	-	-
6/1/2021	2,055,837.50	1,090,750.00	13,880,000		17,557,417
12/1/2021	1,248,018.75	1,090,750.00	-	-	-
	23,350,500.31	**7,520,115.28**	**54,730,000.00**	-	**104,512,417.19**

Total Bonds Outstanding = $92,590,000
Series 2013: $48,960,000 and Series 2018: $43,630,000

Date	Projected TSR	Actual TSR	Difference	Other Receipts
6/1/2018	40,834,487.00	35,253,912.55	5,580,574	279,726
7/1/2018		Earnings on Bd Proceeds		18,086
12/1/2018	-	-	-	123,285
6/1/2019	40,778,814.00	34,319,420.34	6,459,394	12,277
12/1/2019	-	-	-	33,523
6/1/2020	40,000,073.00	34,049,268.16	5,950,804.84	9,592
12/1/2020	-	-	-	4,731
6/1/2021	39,241,014.00	36,485,284.51	2,755,729.49	20,447
12/1/2021	-	-	-	3,590
	160,854,388	**140,107,885.56**	**20,746,502.44**	**505,257**

Compliance:
Report to Rating Agency on Debt Service Dates: Report to be submitted 12-1-2021

Disclosure Reporting:
Series 2013 and 2018 Continuing Disclosure Agreements:
EMMA Posting on 10-19-21 of Voluntary Disclosure

Total Reserve maintained at requirement = $31,997,719.44
Series 2013: $23,214,164.29 and Series 2018: $8,783,555.15

usbank

TAB 8

From: Jang, Michael <michael.jang@citi.com>
Sent: Friday, October 29, 2021 7:19 AM
Subject: Tobacco Securitization Market Update: Altria 2021 Q3 results

All,

Altria, Philip Morris USA's parent and the largest domestic cigarette manufacturer, reported its 2021 Q3 results yesterday. For the nine months ended September 30, 2021, Altria reported that its domestic cigarette shipment volume decreased by an estimated 5% compared to the first nine months of 2020, when adjusted for calendar differences, trade inventory movements and other factors.

Altria estimates that total domestic cigarette industry volume for the nine months-ended September 30, 2021 declined by an estimated 5%, when adjusted for trade inventory movements, calendar differences and other factors.

While Altria notes in its press release that its "tobacco businesses have not experienced a material impact due to the COVID-19 pandemic," it also "continues to monitor the macroeconomic risks of the COVID-19 pandemic (including risks associated with the timing and extent of vaccine administration and the impact of COVID-19 variants) and their effect on adult tobacco consumers (ATC), including stay-at-home practices and disposable income, which may be further impacted by unemployment rates and inflation."

In addition, Altria states that "while the number of trips by ATC to the store remain below pre-pandemic levels and tobacco expenditures per trip remain elevated, the environment continues to evolve as the effects of government stimulus have lessened and consumer mobility returns to more normal levels."
If you have any questions regarding the above information, do not hesitate to contact any member of the Citi Tobacco Team.

Michael Jang
Director | Public Finance Department, Citi
388 Greenwich Street, Trading Floor 6, New York, NY 10013
Phone: 212-723-4947
michael.jang@citi.com

From: Jang, Michael <michael.jang@citi.com>
Sent: Friday, July 30, 2021 7:18 AM
Subject: Tobacco Securitization Market Update: Altria 2021 Q2 results

All,

Altria, Philip Morris USA's parent and the largest domestic cigarette manufacturer, reported its 2021 Q2 results yesterday. For the six months ended June 30, 2021, Altria reported that its domestic cigarette shipment volume decreased by an estimated 4% compared to the first half of 2020, when adjusted for calendar differences, trade inventory movements and other factors.

Altria estimates that total domestic cigarette industry volume for the six months-ended June 30, 2021 declined by an estimated 4%, when adjusted for trade inventory movements, calendar differences and other factors.

While Altria notes in its press release that its "tobacco businesses have not experienced any material adverse effects associated with governmental actions to restrict consumer movement or business operations," it also "continues to monitor the macroeconomic risks of COVID-19 and its effect on adult tobacco consumers, including stay-at-home practices, disposable income (which may be impacted by unemployment rates, fiscal stimulus and increased inflation), purchasing patterns and adoption of smoke-free products.

If you have any questions regarding the above information, do not hesitate to contact any member of the Citi Tobacco Team.

Michael Jang
Director | Public Finance Department, Citi
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NEW YORK TIMES

F.D.A. Authorizes E-Cigarettes to Stay on U.S. Market for the First Time

By Matt Richtel and Sheila Kaplan
Published Oct. 12, 2021 Updated Oct. 13, 2021, 7:05 a.m. ET

The Food and Drug Administration for the first time on Tuesday authorized an electronic cigarette to be sold in the United States, a significant turn in one of the most contentious public health debates in decades.

In greenlighting a device and tobacco-flavored cartridges marketed by R.J. Reynolds under the brand name Vuse, the agency signaled that it believed that the help certain vaping devices offer smokers to quit traditional cigarettes is more significant than the risks of ensnaring a new generation.

"The authorized products' aerosols are significantly less toxic than combusted cigarettes based on available data," the F.D.A. said in a statement announcing the decision.

The statement concluded, "The F.D.A. determined that the potential benefit to smokers who switch completely or significantly reduce their cigarette use, would outweigh the risk to youth."

The watershed decision could pave the way for authorization of some other electronic cigarettes, including those of the once-dominant maker Juul, to stay on the market. For more than a year, the manufacturers of e-cigarettes have been in a holding pattern — most of their products on the market but awaiting official authorization — as the F.D.A. has investigated whether they were a benefit or a danger to public health.

"The importance of the F.D.A. authorizing a vaping product as 'appropriate for the protection of public health' should not be understated," said Gregory Conley, president of the American Vaping Association, an industry group. He added, "Now that the F.D.A. has acted, we are hopeful that adult consumers and health communicators will begin to understand the harm reduction benefits offered by these and other smoke-free products."

Over the past few months, as part of its review, the agency has also ordered thousands of vaping products off the market, including a brand that has surpassed Juul as a favorite among teenagers for its fruity and candy flavors, Puff Bars. On Tuesday, it also rejected 10 other Vuse flavored products but declined to say which ones.

Condemnation of the decision to authorize some products was swift.

"This throws young people under the bus," said Erika Sward, national assistant vice president for advocacy at the American Lung Association. She said the concern was both with the broader logic endorsing these products and with Vuse, which in the government's most recent survey on youth tobacco use was found to be one of the most popular vaping brands with young people.

Vuse’s owner, R.J. Reynolds, is one of the world’s largest cigarette companies. Another major cigarette company, Altria, owns a 35 percent stake in Juul.

Ms. Sward said that an industry that lied about hooking generations on a deadly product that killed millions was now positioned to control the next iteration of the nicotine market. “The industry has been waiting for their next big thing and they found it with e-cigarettes,” she said.

Kaelan Hollon, a spokeswoman for Reynolds American, R.J.R.’s parent company, said that the decision “represents an important moment for Reynolds” and that it showed that the authorized products “are appropriate for the protection of the public health.”

E-cigarettes first came on the American market in the early 2000s as devices designed to give smokers the nicotine fix they craved without the carcinogens that come from burning cigarettes. But about six years ago, with the introduction of Juul’s sleek products with fruity and dessert flavors, use of e-cigarettes among teenagers began to soar and public health officials worried that a generation of nonsmokers was becoming hooked on nicotine.

Allowing some vaping devices to stay on the market as an alternative to smoking, some public health experts believe, might make it easier for the government to impose more stringent regulation on traditional cigarettes, whose carcinogenic fumes can cause cancer and play a role in more than 400,000 deaths in the United States each year.

After resolving the vaping issue, the F.D.A.’s tobacco division will push forward on a plan to reduce the amount of nicotine in combustible cigarettes. In its tobacco control strategy, announced in July 2017, the F.D.A. said it would try to force tobacco companies to lower the nicotine in their products to nonaddictive levels. The cigarette industry opposes the move.

The F.D.A. is also still working on its plan to eliminate menthol cigarettes from the market, a prospect the tobacco industry is vigorously lobbying against.

Clifford Douglas, director of the University of Michigan Tobacco Research Network, said that the authorization of Vuse was “good initial news in terms of the agency making clear its focus on providing well-assessed harm reduction alternatives for adults.”

“This decision makes clear the F.D.A.’s scientific understanding that e-cigarettes are intrinsically significantly less hazardous than combustible tobacco products,” Mr. Douglas said. “And it makes equally clear that these products can be good for the protection of public health, and therefore potentially help millions of addicted adult smokers quit smoking.”

The specific products granted authorization by the F.D.A. are the Vuse Solo Power Unit, and two tobacco-flavored replacement cartridges, each with around 5 percent nicotine.

In its announcement, the F.D.A. said that it was aware of the heavy use of Vuse products by youth but that it was approving “tobacco flavors,” which are less appealing to teenagers. The agency also said that it was imposing digital, radio and television marketing restrictions, while critics argued that the F.D.A. appeared to leave plenty of room for other marketing that could affect youth.

“They are just inadequate,” said Eric Lindblom, a former F.D.A. tobacco policy official and a senior scholar at Georgetown Law’s O’Neill Institute for National and Global Health Law.

He took issue with the restrictions on television advertising, which allow only commercials on shows with a low percentage of teenage users. Mr. Lindblom said that teenagers could still see the Vuse ads, either on television or if they are copied and put on YouTube, as happened with Juul.

“They are allowing marketing through partners, celebrities and brand ambassadors. This is a real problem,” Mr. Lindblom said.

Among the key issues that the F.D.A. did not resolve Tuesday was what it plans to do about menthol-flavored e-cigarettes, which critics say appeal to youth and e-cigarette advocates say will help lure current smokers to quit. The agency said it was “still evaluating” the Vuse application for menthol.

Reynolds, in its own statement, said that it could “still lawfully sell” the products that remain under review.

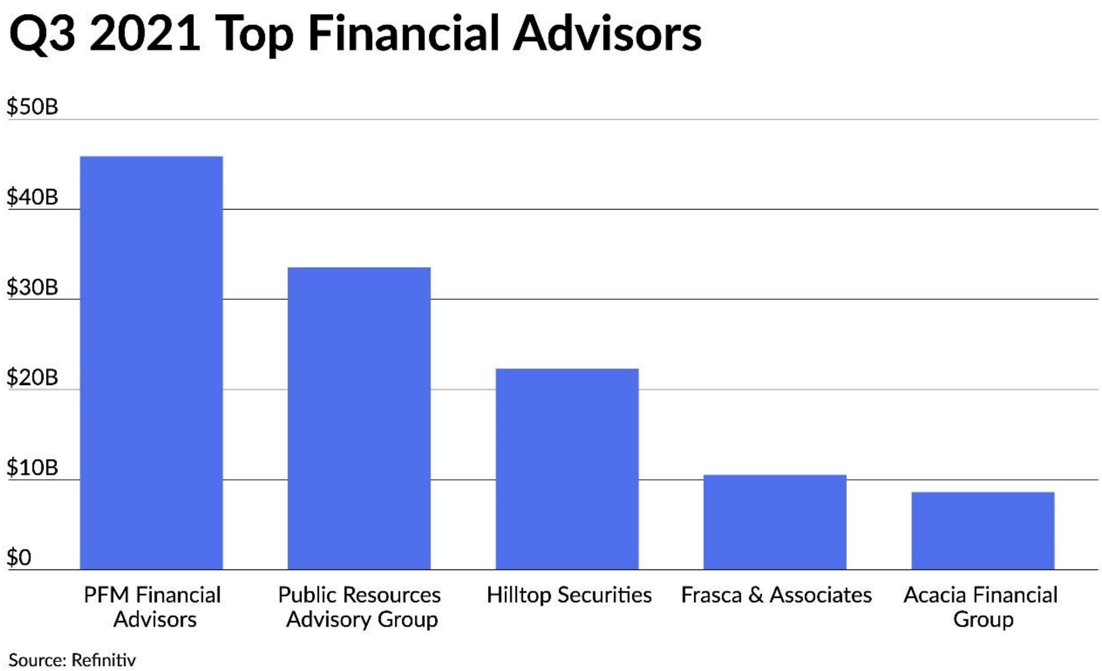
Matt Richtel is a best-selling author and Pulitzer Prize-winning reporter based in San Francisco. He joined The Times staff in 2000, and his work has focused on science, technology, business and narrative-driven storytelling around these issues. @mrichtel

Sheila Kaplan is a prize-winning investigative reporter who covers the Food and Drug Administration, the tobacco industry and the intersection of money, medicine and politics. @bySheilaKaplan

THE BOND BUYER

Q3 2021 top financial advisors

By Jessica Lerner October 12, 2021 2:14 PM



The top municipal financial advisors saw $278.55 of business in 6,599 transactions in the first nine months of 2021, from the $284.08 billion in 6,350 deals the same period last year.

RBC Capital Markets and Baker Tilly Municipal Advisors moved up into the top 10.

pfm

1 PFM tops financial advisors

Public Financial Management Financial Advisors claimed the top spot but with less volume than 2020. PFM advised on $45.89 billion with a 16.5% market share versus $50.31 billion and 17.7% share of the market a year ago.

THE BOND BUYER

2 PRAG slips but still comes in second

Public Resources Advisory Group found itself in second place again with a par amount of $33.53 billion or 12% share of the market. That compares with its $34.18 billion and a 12% market share from the first three quarters of 2020.

3 Hilltop is steady

HilltopSecurities accounted for $22.3 billion and an 8% market share to be squarely in third place, compared to $21.35 and a 7.5% market share from the same period the year before.

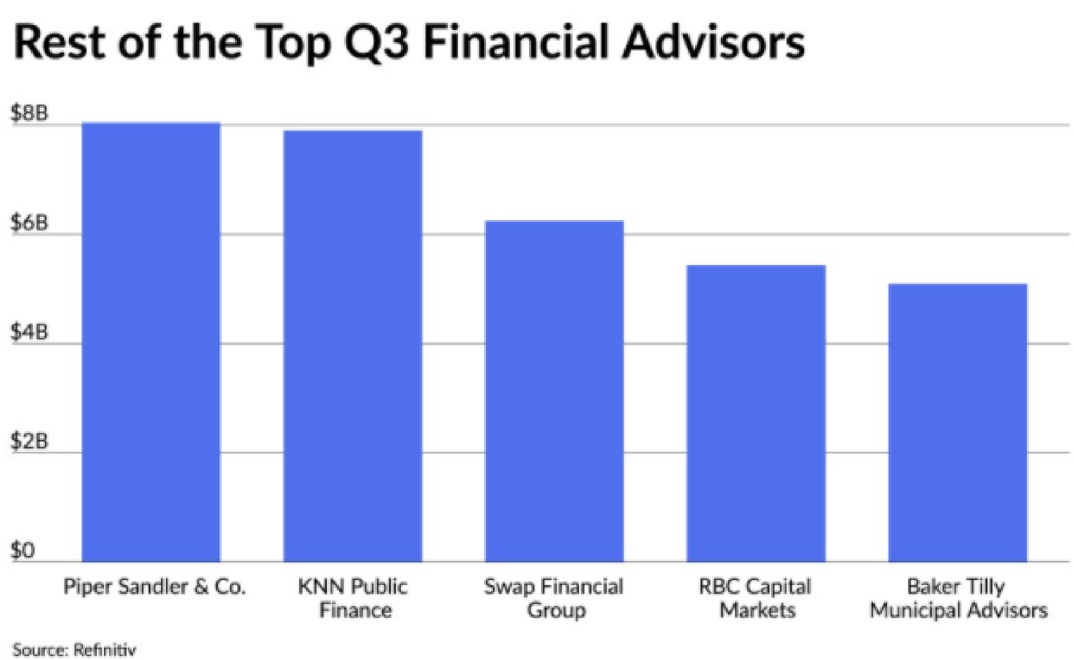
4 Frasca makes gains

Frasca & Associates totaled $10.55 billion and 3.8% market share, both up from $8.56 billion and 3% share of the market.

THE BOND BUYER

5 Acacia drops on par amount and market share

Acacia Financial Group has a par amount of $8.62 billion and 3.1% share of the market, both decreases from $10.03 billion and 3.5% it had during the first nine months of 2020.



6 Rounding out the top 10

Rounding out the top 10 are: Piper Sandler & Co. with $8.04 billion, KNN Public Finance with $7.9 billion, Swap Financial Group with $6.24 billion, RBC Capital Markets with $5.43 billion and Baker Tilly Municipal Advisors with $5.09 billion.

Bloomberg

Philip Morris to Court ESG Investors Whose Mantra Is Shunning It

Aug. 27, 2021, 8:41 AM

A tobacco giant, the very kind of company that socially conscious investors shun, now wants in on the booming action in sustainable finance.

Philip Morris International Inc. on Friday laid the groundwork for issuing debt with an embedded promise to wean itself off cigarette sales.

With bonds or loans linked to ESG -- short for environmental, social and governance -- criteria, borrowers set targets known as key performance indicators that are usually aligned with sustainable development goals. The issuer pledges to pay a penalty to lenders if it falls short. For Philip Morris, the goal is shrinking its cigarette business.

Philip Morris entering this space is eye-catching because for many ESG investors, avoiding it is a tenet. But the Marlboro maker's attempt to woo these investors makes sense as funding is plentiful, with companies and governments globally pricing a record $652 billion this year in so-called green or social bonds, or debt linked to sustainability goals.

"As a big company, we have a big environmental and social impact, but the biggest impact comes from the product we sell, and we want to show not only how the company is changing the product for another, but transforming our entire value chain," Jennifer Motles, Philip Morris's chief sustainability officer, said in an interview.

The move comes as Philip Morris nears a takeover of Vectura Group Plc, a U.K. maker of asthma drugs. The acquisition has prompted criticism from health organizations on ethical concerns about a tobacco company owning a pharmaceutical firm.

Read more: Marlboro Man Shopping for Asthma Drugs Puts Investors in a Bind

The funding plan, which Philip Morris is calling business transformation-linked financing, includes a goal of increasing the company's smoke-free revenue to 50% of total net revenue by 2025, from 23.8% in 2020. It also will aim to increase the number of markets where it sells smoke-free products to 100 by the same year, from 64 in 2020.

As they rush to sustainable finance, well-intentioned investors worry that their money won't actually have the environmental or societal benefits claimed by borrowers. This fear of so-called greenwashing may be misplaced in the market for bonds that fund ESG projects, according to S&P Global Ratings.

Philip Morris says it envisions a smoke-free future, and has been working on alternative products like its IQOS heated-tobacco offering that it says will one day replace cigarettes entirely.

It also aims for at least $1 billion in sales from products not linked to nicotine, fueled in part by the Vectura acquisition.

"This is not about greenwashing, but about what this framework can spark," Motles said. "My hopes are that the investor community, which has amazing power in terms of driving change, can be better informed about what they can ask other cigarette companies. If other cigarette companies adopt the same metrics, and start reporting on them transparently, we can make cigarettes obsolete and can multiply the pace at which this is achieved."

Packet Revisions and Additions
November 15, 2021

TAB 3

Audit Results

Better Together: Moss Adams & Tobacco Settlement Authority

Board of Directors

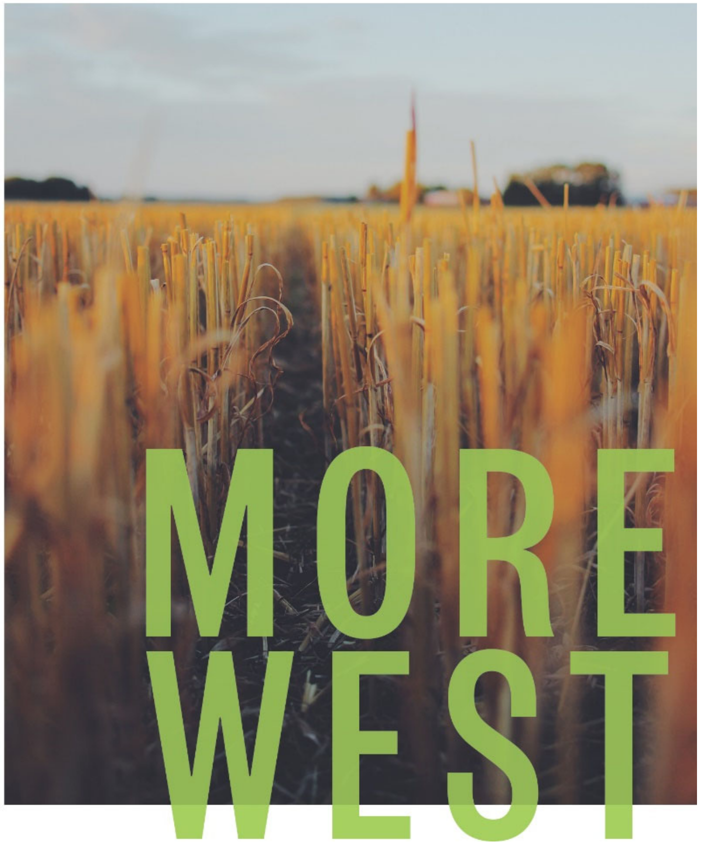
Dear Board of Directors:

Thank you for your continued engagement of Moss Adams LLP. We are pleased to have the opportunity to meet with you to discuss the results of our audit of the Tobacco Settlement Authority ("TSA") for the year ended June 30, 2021.

The accompanying report, which is intended solely for the use of the Board, the Washington State Auditor's Office, and Management and not intended to be and should not be used by anyone other than these specified parties, presents important information regarding the financial statements and our audits that we believe will be of interest to you.

We conducted our audit with the objectivity and independence that you expect. We received the full support and assistance from all personnel. We are pleased to serve and be associated with the TSA as its independent public accountants and look forward to our continued relationship.

We look forward to discussing our report or any other matters of interest with you during this meeting.



Required Communications
to Those Charged with Governance

ENTRANCE	○ Auditor’s responsibility under U.S. generally accepted auditing standards ○ Planned scope and timing of audit
EXIT	○ Significant audit findings ○ Qualitative aspects of accounting practices ○ Difficulties encountered in performing the audit ○ Corrected and uncorrected misstatements ○ Management representations ○ Management consultations with other independent accountants ○ Other audit findings or issues

Auditor Report on the Financial Statements

Unmodified Opinion

Financial statements are presented fairly and in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Our Responsibility Under US Generally Accepted Auditing Standards

1 To express our opinion on whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, and in accordance with U.S. GAAP. However, our audit does not relieve you or management of your responsibilities.

2 To perform an audit in accordance with generally accepted auditing standards issued by the AICPA and design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement.

3 To consider internal control over financial reporting as a basis for designing audit procedures but not for the purpose of expressing an opinion on its effectiveness or to provide assurance concerning such internal control.

4 To communicate findings that, in our judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, **we** are not required to design procedures for the purpose of identifying other matters to communicate to you.

Significant Accounting Policies & Unusual Transactions

- Management has the responsibility for selection and use of appropriate accounting policies and significant policies are included in the footnotes to the financial statements.
- We believe management has selected and applied significant accounting policies appropriately and consistently with those of the prior year.

Management Judgments & Accounting Estimates

- Management's judgments and accounting estimates are based on knowledge and experience about past and current events and assumptions about future events.
- The most sensitive estimates affecting the financial statements were:
  - Management's estimate of the tobacco settlement receivable and related revenues.
  - Management's assessment and estimate of contingent amounts related to non-participating manufacturers adjustment as a result of the 2004 arbitration panel decision.
- We evaluated the key factors and assumptions used to develop these estimates and have determined they are reasonable in relation to the financial statements as a whole.

Financial Disclosures

The disclosures in the financial statements are clear and consistent. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We call your attention to the following:

- Note 5 – Bonds Payable
- Note 7 – Contingencies
- Note 8 – Subsequent Events

Other Communications

- No significant difficulties were encountered during our audit.
- There were no corrected or uncorrected adjustments.
- We are not aware of any known asserted or unasserted claims or judgments against TSA, except for results of recent arbitration decision related to 2004 non-participating manufacturers adjustment proceedings, which could impact TSA.
- We are pleased to report that there were no disagreements with management.
- We are not aware of any significant accounting or auditing matters for which management consulted with other accountants.
- We are not aware of any instances of fraud or noncompliance with laws, regulations, contracts or grant agreements.
- Management provides us a signed representation letter, which includes a variety of matters and information that was conveyed to us as part of the audit.

Contact Us

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THANK YOU

REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS WITH
SUPPLEMENTAL INFORMATION

TOBACCO SETTLEMENT AUTHORITY
(A Component Unit of the State of Washington)

June 30, 2021 and 2020

Table of Contents

As management of the Tobacco Settlement Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the years ended June 30, 2021 and 2020 (FY 2021 and FY 2020, respectively). This discussion and analysis is required by accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB).

Financial Highlights

Tobacco Settlement Revenues (TSRs) of $37.9 million and $34.4 million were recognized as revenue in the fiscal years ended June 30, 2021 and 2020, respectively. In accordance with GASB 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, TSRs of $17.9 million and $16.6 million were recorded as accrued TSR Receivable applicable to cigarette sales between January 1, 2021 and June 30, 2021 and January 1, 2020, and June 30, 2020 respectively.

Other significant changes as of June 30, 2021 or for the year then ended include:

- Total bonds payable were $97.9 million, net of premiums. This represents a decrease of $34.4 million (26.0%) from the prior year resulting from principal payments on bonds from maturities and redemptions.

- Net position increased $34.3 million (42.8%) over the prior year.

- Bond interest expense decreased $1.4 million (18.2%) due to the continued decline in total bonds outstanding.

- Interest income decreased by $860 thousand due to a decline in the interest rates available on deposited funds.

Overview of the Financial Statements

The financial statements consist of three parts: management's discussion and analysis, the basic financial statements and the notes to the financial statements. The financial statements are presented in a manner similar to that of a private business, using the economic resources measurement focus and the accrual basis of accounting. The financial statements report information for all Authority operations. The statement of net position includes all of the Authority's assets and liabilities. All revenues and expenses of the Authority are accounted for in the statements of revenues, expenses and changes in net position.

In addition, program financial statements are presented as supplemental information. These supplemental statements separate the financial statements into the Restricted Bond Fund and General Operating Fund.

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles and the Authority has applied all its applicable pronouncements. All program and general operating funds of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows and all liabilities and deferred inflows associated with the operation of these funds are included on the statements of net position. The statements of revenue, expenses and changes in net position for all funds present increases (e.g., revenues) and decreases (e.g., expenses) in net fund position. These funds utilize the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Management believes that the present value amount of TSRs that will be collected over time is $45.8 million, an amount equal to the net deficit position.

Economic Outlook

The volume of cigarette shipments is the major factor in determining the amount of TSRs received by the Authority. Authority staff consider the industry information available to them each year when accruing estimated TSRs to be received. Factors influencing demand since the Authority's bonds were issued in 2002 have been significant increases in state and federal tobacco excise taxes, greater restrictions on public smoking, and the rise in popularity of e-Cigarettes. Shipments of cigarettes have generally declined more rapidly than originally predicted, however there was little change in calendar year 2020 as compared to the prior year.

Financial Analysis of the Authority

Statements of Net Position

The following table summarizes the changes in assets and deferred outflows, liabilities and deferred inflows, and net position between FY 2021 and FY 2020 (in millions):

	2021	2020	Change	
Assets				
Cash and cash equivalents	$ 34.5	$ 35.9	$ (1.4)	(3.9%)
Accrued TSR and other receivables	17.9	16.6	1.3	7.8%
Total assets	52.4	52.5	(0.1)	(0.2%)
Deferred outflow of resources	0.7	1.1	(0.4)	(36.4%)
Total assets and deferred outflow of resources	$ 53.1	$ 53.6	$ (0.5)	(0.9%)
Liabilities				
Accrued interest payable and other liabilities	$ 0.4	$ 0.6	$ (0.2)	(33.3%)
Bonds payable, net	97.9	132.3	(34.4)	(26.0%)
Total liabilities	98.3	132.9	(34.6)	(26.0%)
Deferred inflow of resources	0.6	0.8	(0.2)	(25.0%)
Net deficit position	(45.8)	(80.1)	34.3	42.8%
Total liabilities and net position	$ 53.1	$ 53.6	$ (0.5)	(0.9%)

Statements of Revenues, Expenses, and Changes in Net Position

The following table summarizes the activities in revenues and expenses between the years ended June 30, 2021 and 2020:

	2021	2020	Change	
Revenues				
Tobacco settlement revenues and other income	$ 37.9	$ 34.4	$ 3.5	10.2%
Interest income	-	0.9	(0.9)	(100.0%)
Total revenues	$ 37.9	$ 35.3	$ 2.6	7.4%
Expenses				
Bond program interest expense	$ 6.3	$ 7.7	$ (1.4)	(18.2%)
Other bond program expenses	(2.9)	(2.9)	-	- %
General and administrative	0.2	0.2	-	- %
Total expenses	$ 3.6	$ 5.0	$ (1.4)	(28.0%)
Change in net position	$ 34.3	$ 30.3	$ 4.0	13.2%

Financial Analysis of the Authority (continued)

TSRs of $37.9 million and $6.3 million of interest on debt are the primary components of total revenues and expenses, respectively, for the Restricted Bond Program.

In the General Operating Fund FY 2021 revenue included other income of $89.0 thousand representing a draw from TSRs. Expenses were $76.7 thousand comprised of allocable salaries and wages, and other general and administrative expenses.

Debt Administration

At June 30, 2021, the Authority has long-term debt obligations of $97.9 million, net of bond premium. The bond funds are held by a trustee who ensures that bond resolution requirements are met, including payments of debt service and funding of necessary reserves. Amounts held by the trustee and future receipts of TSRs represent full funding of these requirements.

In 2002, a Purchase and Sale Agreement between the Authority and the State of Washington (the State) was executed in which TSRs ($30 million by July 1, 2003, and 29.2% of the TSRs thereafter) were purchased by the Authority for a one-time cash distribution of $450 million to the State. The Authority issued its 2002 series bonds to fund this payment. During fiscal year 2014, the Series 2002 bonds were refunded by the Series 2013 Refunding Bonds under the existing Purchase and Sale Agreement with the State. On June 20, 2018, the Authority issued $43,630,000 of Series 2018 Refunding Bonds whose proceeds (including bond premium) were used to refund $47,645,000 of the Series 2013 Refunding Bonds. The Series 2013 and 2018 Refunding Bonds are solely secured by the "right to receive" TSRs from major tobacco companies under the Master Settlement Agreement. The Bonds consist of Serial Bonds. The Serial Bonds with maturity dates 2024-2033 include optional call provisions, allowing the application of TSRs received in excess of the required redemptions.

The Authority and the State covenanted to do and perform all acts and take all actions permitted by law and the Bond Indenture which are necessary or desirable in order to ensure that interest paid on the Tax-Exempt Bonds will be excluded from gross income for federal income tax purposes and shall take no action that would result in such interest not being excluded from gross income for federal income tax purposes.

The Authority has no general obligation bonds and does not currently have an issuer credit rating.

Additional information on the Authority's long-term liabilities can be found in Note 5 of the Authority's financial statements.

Comparison of Fiscal Years 2020 with 2019

Statements of Net Position

The following table summarizes the changes in assets and deferred outflows, liabilities and deferred inflows, and net position between FY 2020 and FY 2019 (in millions):

	2020	2019	Change	
Assets				
Cash and cash equivalents	$ 35.9	$ 36.7	$ (0.8)	(2.2%)
Accrued TSR and other receivables	16.6	16.4	0.2	1.2%
Total assets	52.5	53.1	(0.6)	(1.1%)
Deferred outflow of resources	1.1	1.5	(0.4)	(26.7%)
Total assets and deferred outflow of resources	$ 53.6	$ 54.6	$ (1.0)	(1.8%)
Liabilities				
Accrued interest payable and other liabilities	$ 0.6	$ 0.7	$ (0.1)	(14.3%)
Bonds payable, net	132.3	163.2	(30.9)	(18.9%)
Total liabilities	132.9	163.9	(31.0)	(18.9%)
Deferred inflow of resources	0.8	1.1	(0.3)	(27.3%)
Net deficit position	(80.1)	(110.4)	30.3	(27.4%)
Total liabilities and net position	$ 53.6	$ 54.6	$ (1.0)	(1.8%)

During FY 2020, the Authority's combined total assets and deferred outflows of resources decreased by $1.0 million partly due to the decrease in cash and equivalents held in reserve ($0.8 million). The Authority's total liabilities decreased by $31.0 million, resulting from principal payments and maturities. The Authority's net position improved by $30.3 million, primarily due to the decrease in total liabilities.

Comparison of Fiscal Years 2020 with 2019 (continued)

Statements of Revenues, Expenses and Changes in Net Position

The following table summarizes the activities in revenues and expenses between the years ended June 30, 2020 and 2019:

	2020	2019	Change	
Revenues				
Tobacco settlement and other revenues	$ 34.4	$ 34.4	$ -	- %
Interest and program revenue	0.9	1.0	(0.1)	(10.0%)
Total revenues	$ 35.3	$ 35.4	$ (0.1)	(0.3%)
Expenses				
Bond program interest expense	$ 7.7	$ 9.1	$ (1.4)	(15.4%)
Other bond program expenses	(2.9)	(3.1)	0.2	(6.5%)
General and administrative	0.2	0.2	-	- %
Total expenses	$ 5.0	$ 6.2	$ (1.2)	(19.4%)
Change in net position	$ 30.3	$ 29.2	$ 1.1	3.8%

The change in net position of $30.3 million for FY 2020 represents an increase of $1.1 million over the FY 2019 change of $29.2 million. The increase is primarily attributable to realized savings in bond interest.

Questions and inquiries may be directed to the Senior Director of Finance or the Senior Controller at Tobacco Settlement Authority, 1000 Second Avenue, Suite 2700, Seattle, WA 98104 or 206-464-7139.

	June 30, 2021	June 30, 2020
ASSETS AND DEFERRED OUTFLOW OF RESOURCES		
CASH AND CASH EQUIVALENTS	$ 34,531,804	$ 35,872,237
TSR RECEIVABLE	17,877,790	16,599,019
PREPAID FEES AND INTEREST RECEIVABLE	9,601	8,885
TOTAL ASSETS	52,419,195	52,480,141
DEFERRED OUTFLOW OF RESOURCES		
Unamortized loss on refunded debt	691,168	1,111,110
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	$ 53,110,363	$ 53,591,251
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITON		
ACCRUED INTEREST PAYABLE	$ 389,795	$ 524,431
ACCOUNTS PAYABLE AND OTHER LIABILITIES	19,398	23,562
BONDS PAYABLE		
Interest bonds	92,590,000	124,025,000
Unamortized bond premium	5,352,197	8,298,672
	97,942,197	132,323,672
TOTAL LIABILITIES	98,351,390	132,871,665
DEFERRED INFLOW OF RESOURCES		
Unamortized gain on refunded debt	559,637	817,869
TOTAL NET DEFICIT POSITION	(45,800,664)	(80,098,283)
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	$ 53,110,363	$ 53,591,251

See accompanying notes.

Tobacco Settlement Authority
(A Component Unit of the State of Washington)
Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended June 30, 2021	2020
REVENUES		
Tobacco settlement revenues and other income	$ 37,878,203	$ 34,429,824
Interest income	12,835	873,315
	37,891,038	35,303,139
EXPENSES		
Interest on debt	6,320,249	7,756,995
Amortization of bond premium	(2,946,475)	(2,877,664)
General and administrative	219,645	163,083
	3,593,419	5,042,414
CHANGE IN NET POSITION	34,297,619	30,260,725
NET POSITION		
Beginning of year	(80,098,283)	(110,359,008)
End of year	$ (45,800,664)	$ (80,098,283)

See accompanying notes.

Tobacco Settlement Authority
(A Component Unit of the State of Washington)
Statements of Cash Flows

	Years Ended June 30, 2021	2020
OPERATING ACTIVITIES		
Cash received from tobacco settlement and other revenues	$ 36,599,432	$ 34,132,529
Cash paid for bond program expenses	(142,970)	(94,145)
Cash paid for general and administrative expenses	(82,590)	(53,994)
Net cash provided by operating activities	36,373,872	33,984,390
INVESTING ACTIVITIES		
Cash received from interest income	13,870	957,275
NONCAPITAL FINANCING ACTIVITIES		
Principal repayment on bonds	(31,435,000)	(28,025,000)
Cash paid for bond interest expense	(6,293,175)	(7,729,562)
Net cash used for financing activities	(37,728,175)	(35,754,562)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,340,433)	(812,897)
CASH AND CASH EQUIVALENTS		
Beginning of year	35,872,237	36,685,134
End of year	$ 34,531,804	$ 35,872,237
RECONCILIATION OF CHANGES IN NET POSITION TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Excess (deficit) of revenues over expenses	$ 34,297,619	$ 30,260,725
Adjustments to reconcile operating income to net cash used in operating activities		
Amortization of bond premium	(2,946,475)	(2,877,664)
Amortization of loss on refunded debt	161,710	147,132
Cash paid for bond interest expense	6,293,175	7,729,562
Cash received from interest income	(13,870)	(957,275)
Changes in assets and liabilities		
Increase in TSR receivable	(1,278,771)	(297,294)
(Increase) decrease in prepaid fees and other receivables	(715)	83,219
Decrease in accounts payable and other liabilities	(4,164)	(104,015)
Decrease in accrued interest payable	(134,637)	-
Net cash from operating activities	$ 36,373,872	$ 33,984,390

See accompanying notes.

Note 1 – Organization, Program Funds, and Description of Business

The Tobacco Settlement Authority (the Authority) was formed in April 2002 pursuant to legislation enacted by the Washington State Legislature (RCW 43.340) and signed into law by Governor Gary Locke. It is a public instrumentality separate and distinct from the State. However, because the State appoints the governing body and is entitled to the resources of the Authority, the financial accountability criteria as defined by the Governmental Accounting Standards Board (GASB) have been met. As such, the Authority is presented as a blended component unit of the State in its Comprehensive Annual Financial Report.

The Authority board consists of five directors, each appointed by the governor. The chair of the Authority serves at the pleasure of the governor while the remaining directors serve terms of four years from the date of their appointment.

The Authority was created to generate a one-time payment of $450 million for the State of Washington (the State) in the 2002-2004 biennium by issuing bonds securitizing a portion of the future revenue stream available under the Master Settlement Agreement (the MSA) among participating cigarette manufacturers and Settling States. The Settling States included the State of Washington, 45 other states and six other U.S. jurisdictions. In November 2002, $517 million of bonds were issued and $450 million was deposited by the Authority into the State general fund in exchange for acquiring a one-time payment of $30 million at bond closing and 29.2% of the State's Tobacco Settlement Revenues (TSRs) received on or after July 1, 2003. The final maturity of the Series 2002 Bonds was 2032. On October 17, 2013, $334,700,000 in refunding bonds were issued. The bond proceeds were used to currently refund all 2002 bonds. The structure of the Series 2013 Refunding Bonds provided a reduced interest rate with a final scheduled maturity in 2033. On June 20, 2018, $46,630,000 in refunding bonds were issued. The proceeds were used to partially refund the Series 2013 Refunding Bonds, providing a further reduction in interest rate. The expected maturity of both series of the 2013 Refunding Bonds is 2023. For further information on the MSA, see Note 6.

Payment on the bonds is a sole obligation of the Authority and not an obligation of the State. Neither the faith and credit nor the taxing power of the State or any municipal corporation, subdivision or agency of the State is pledged to the payment of the bonds.

The Authority's financial operations are accounted for in two funds, the Restricted Bond Fund and General Operating Fund. The Restricted Bond Fund accounts for the receipt of the Authority's TSRs and of the payments related to servicing the bonds. The General Operating Fund accounts for the fiscal activities of the ongoing program administration responsibilities of the Authority. It is funded by draws, as necessary, from the TSRs used to repay the debt. The Authority's fiscal year begins July 1 and ends June 30.

Administrative and technical support for the Authority is provided by the Washington State Housing Finance Commission, which is reimbursed for its costs from the Authority's operating fund. Accounting and staff services are to be provided until the bonds are retired, see Note 4.

Note 2 – Summary of Significant Accounting Policies

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority has applied all applicable GASB pronouncements.

The most significant of the Authority's accounting policies are described below.

Measurement focus and basis of accounting – All program and general operating funds of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows and all liabilities and deferred inflows associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position for all funds present increases (e.g., revenues) and decreases (e.g., expenses) in net fund position. These funds utilize the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities and deferred inflows are incurred.

Unclassified statement of net position – The Authority's business cycle is greater than one year. As such, all assets and liabilities as shown on the statement of net position are unclassified.

Cash and cash equivalents – Cash deposits held in the Restricted Bond Fund are held in the corporate trust department of a commercial bank (the Trustee) in the bond issue's name. Cash deposits held by the General Operating Fund are entirely covered by Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission. Cash and cash equivalents by fund as of June 30, 2021 and 2020, are:

	2021	2020
Cash and cash equivalents		
Restricted Bond Fund	$ 34,370,945	$ 35,717,765
General Operating Fund	160,859	154,472
Total cash and cash equivalents	$ 34,531,804	$ 35,872,237

For purposes of the statement of cash flows, the Authority considers all highly liquid, interest-bearing instruments purchased with an original maturity of three months or less that are readily convertible to cash to be cash and cash equivalents.

Investments – The Authority's Trustee holds all investments in the name of the Authority, however, there were no investments outstanding at June 30, 2021 or 2020.

Note 2 – Summary of Significant Accounting Policies (continued)

Deferred outflow and inflow of resources – In addition to assets and liabilities, the statement of net position, when applicable, will report a separate section for deferred outflow and inflow of resources. Deferred outflow of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Similarly, deferred inflows represent the expected savings of net position that apply to future period(s). The excess of costs and the excess of savings incurred over the carrying value of bonds refunded on early extinguishment of debt is amortized, using the bonds outstanding method, over the shorter of the remaining life of the old bonds or the life of the new issue and recorded as a deferred outflow of resources.

Unamortized bond discounts and premium – Unamortized bond discounts and premiums are amortized using the bonds outstanding method over the expected life of the bonds.

Bond issuance costs – Bond issuance costs, including underwriter's discounts are expensed at issuance.

Bonds payable – Serial Bonds are stated at their principal amount outstanding, net of unamortized bond premium.

Income taxes – The Authority is exempt from federal income taxes under Internal Revenue Code Section 115(a) and accordingly, no provision for income taxes was made for the years ended June 30, 2021 and 2020.

Tobacco settlement revenues – The purchase and sale agreement between the Authority and the State conveyed the right to the first $30 million of the TSRs for the fiscal year ended June 30, 2003, and 29.2% of the TSRs thereafter until all of the bonds are redeemed. They are to be deposited with the Authority's Bond Trustee and used in accordance with the bond indenture to redeem bonds and pay costs until such time as the bond and other obligations are fully paid.

The Authority has elected to continue recognition of its Purchase and Sale Agreement of Tobacco Assets on its previous transactions consistent with its treatment prior to the issuance of GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* as allowed by the statement. Therefore, the Authority does not recognize a deferred inflow of resources related to the purchase of this future revenue stream from the State. The Authority recognizes TSRs as an asset and revenue based on the domestic shipment of cigarettes. The Authority estimates accrued TSRs that derive from sales of cigarettes from January 1 to June 30, according to the annual TSRs payment that are based on cigarette sales from the preceding calendar year and historical payment trends. TSRs recognized for 2021 and 2020 included an accrual of $17,877,790 and $16,599,019, respectively.

Note 2 – Summary of Significant Accounting Policies (continued)

Other fee income – The Authority is entitled to receive operating funds each year from TSRs as outlined in the bond indenture. However, the Authority has the option to deliver an officer's certificate to the Trustee on or before April 15 of each year certifying changes to the amount of operating funds to be drawn. For fiscal years 2021 and 2020, the Authority delivered officer's certificates to the Trustee requesting operating funds of $88,970 and $40,145, respectively, be disbursed which were received by the Authority prior to the fiscal years' end.

Use of estimates – The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions in determining the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Net deficit position – The net deficit position balances of $45,800,664 at June 30, 2021, and $80,098,283 at June 30, 2020, reflect unrestricted net deficit positions as defined by GASB Statement No. 34. This balance is comprised of amounts from two funds. The general operating fund has a net position balance of $150,497 at June 30, 2021, and $138,194 at June 30, 2020. The restricted bond fund has a net deficit balance of $45,951,161 at June 30, 2021, and $80,236,477 at June 30, 2020. Management believes that the present value of future TSRs allocated to the Authority approximates the net deficit position.

Arbitrage rebate – No arbitrage rebate is owed to the United States Treasury for the years ended June 30, 2021 and 2020.

Note 3 – Investments

Bond issue investment policy – The trust indenture for the bond issue outlines the permitted investments. Although all of the program funds must be used for program purposes, certain funds have been restricted for payment of debt service as required by the indenture.

Operations investment policy – The Authority can invest in nongovernmental investments including certificates of deposit, banker's acceptances and repurchase agreements.

In addition, the following governmental investments are eligible:

1. Treasury bills, notes and other obligations issued by the United States Department of the Treasury and backed by the full faith and credit of the U.S. government.

2. Federal Home Loan Bank notes and bonds.

3. Federal Land Bank bonds.

Note 3 – Investments (continued)

4. Federal National Mortgage Association notes, debentures and guaranteed certificates of participation.

5. The obligations of certain government-sponsored corporations whose obligations are eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve System.

6. Shares of mutual funds with portfolios consisting of only U.S. government bonds or U.S. government guaranteed bonds issued by federal agencies with average maturities less than four years.

The Authority measures investments at fair value on a reoccurring basis and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. However, as of the years ended June 30, 2021 and 2020, the Authority held no investments as all excess funds were held as cash and cash equivalents.

Note 4 – Contracted Staff Services

The Washington State Housing Finance Commission provides staff and other administrative services to the Authority. Total charges were $40,559 and $37,030 for the years ended June 30, 2021 and 2020, respectively. The Authority has no directly hired staff and as such has no pension obligations. The Authority had fees payable totaling $8,503 and $20,068 with the Washington State Housing Finance Commission at June 30, 2021 and 2020, respectively.

Note 5 – Bonds Payable

The bonds are limited obligations of the Authority, publicly traded, and payable solely from its TSRs received and due from the State secured by the purchase and sale agreement as described in Note 2, restricted investments, and undisbursed bond proceeds and the earnings thereon held under the indenture authorizing the bonds.

Events of default on the bonds include failure of the Authority to pay, when due, any interest on the bonds, principal maturity, or sinking fund installment, to observe or perform any other provision of the indenture not corrected within 60 days of written notice by the bond indenture Trustee, or a material breach by the State of its covenants. If any of these occur, the Trustee may, and upon written request of holders of at least 25% in the principal amount of the bonds outstanding shall, enforce the rights of the Bondholders and require the Issuer and the State to carry out their respective agreements with the Bondholders.

Note 5 – Bonds Payable (continued)

As of June 30, 2021, the Authority had outstanding bonds of approximately $92.6 million. The bonds bear interest rates ranging from 5.00% to 5.25% and mature in varying amounts through 2033. Future principal and interest requirements are shown in the following table.

Years Ending June 30,	Principal Redemptions	Interest Requirements	Total
2022	$ 25,110,000	$ 4,677,538	$ 29,787,538
2023	26,735,000	3,422,038	30,157,038
2024	21,530,000	2,085,288	23,615,288
2025	-	1,008,788	1,008,788
2026	-	1,008,788	1,008,788
2027–2031	-	5,043,938	5,043,938
2032–2033	19,215,000	1,399,913	20,614,913
	$ 92,590,000	$ 18,646,291	$ 111,236,291

Changes in bonds outstanding during the fiscal year ended June 30, 2021, are summarized in the following table:

Balance at June 30, 2020	Issued	Redeemed	Balance at June 30, 2021
$ 124,025,000	$ -	$ 31,435,000	$ 92,590,000

Note 6 – Master Settlement Agreement and Tobacco Settlement Revenues

The Master Settlement Agreement is a tobacco industry-wide settlement of litigation between the Settling States and the Original Participating Manufacturers (the OPMs) and was entered into by the parties on November 23, 1998. Additional manufactures known as Subsequent Participating Manufacturers (the SPMs) joined in the MSA, and together with the OPMs are the Participating Manufacturers (the PMs). Tobacco Settlement Revenues consist of the amounts to be received under the terms of the MSA. It requires the PMs make annual TSR payments to the Settling States. In the first 25 years of the agreement, up to $206 billion was to be received by the Settling States and approximately $4 billion by the State.

The MSA also provides for certain mechanisms by which payments from the OPMs can be reduced or disputed subject to arbitration and other legal actions. Resolution of these matters can result in an increase or decrease in TSRs received.

Note 6 – Master Settlement Agreement and Tobacco Settlement Revenues (continued)

Management believes that the present value of the amount of TSRs that will be collected by the Authority over time is $45,800,664, an amount equal to the net deficit position. However, prior to GASB 48, which was effective for years beginning on or after December 15, 2006, accounting principles generally accepted in the United States of America did not allow these future revenues to be recorded in the financial statements. As such, the only TSRs receivable recorded in the accompanying financial statements are those estimated to accrue due to cigarette shipments from January 1 to June 30, 2021, and January 1 to June 30, 2020.

Note 7 – Contingencies

Many parties have filed actions against some, and in certain cases all, of the signatories to the MSA. In them, they have alleged that the MSA and related legislation are void or unenforceable under certain provisions of law. To date, no such lawsuits have been successful.

Each MSA Annual Payment is subject to certain adjustments, such as an adjustment for inflation and an adjustment for the volume of cigarettes sold. Another adjustment, the Non-Participating Manufacturer Adjustment (the NPM Adjustment) is intended to compensate the PMs for any loss in market share and disadvantage as a result of the terms of the MSA relative to those cigarette manufacturers which do not participate in the MSA, referred to as Non-Participating Manufacturers (the NPMs). The NPM Adjustment is calculated by the Independent Auditor. An NPM Adjustment has been alleged each year by the PMs beginning in sales year 2003.

The enforcement of the terms of the MSA may continue to be challenged in the future. In the event of an adverse court ruling, the Authority may not have adequate financial resources to make payment on its outstanding bonds.

Members of the Authority's board of directors and persons acting on the Authority's behalf, while acting within the scope of their duties or employment, shall not be subject to any personal liability resulting from carrying out the powers and duties conferred on them, and shall have the indemnification rights under the provisions of the Authority's Public Officials and Employees Liability insurance policy.

Note 8 – Subsequent Events

On September 1, 2021, the Washington State Office of the Attorney General (the AG) notified the Authority of the "Common Case Findings and State Specific Finding and Interim Award for the State of Washington" (the Interim Award) regarding the 2004 Non-Participating Manufacturer (the NPM) Adjustment Proceedings. In it, the arbitration panel found that "Washington failed to diligently enforce its Qualifying Statute during calendar year 2004 and, therefore, is subject to a NPM Adjustment pursuant to Section IX(d)(2)(B) of the Master Settlement Agreement."

Note 8 – Subsequent Events (continued)

The result of the arbitration means the State (the State) may have a reduced TSR distribution in the future. On November 3, 2021, Authority staff and other relevant parties met with the AG to discuss the possible impact of the decision on the State's TSR. The grounds for vacating the Arbitration Finding are extremely limited. However, due to several uncertainties associated with other legal proceedings associated with the MSA and how the NPM Adjustment would be applied, the extent and timing of a future TSR disruption is not able to be reasonably estimated.

Supplemental Information

Tobacco Settlement Authority
(A Component Unit of the State of Washington)
Schedule of Program Net Position

ASSETS AND DEFERRED OUTFLOW OF RESOURCES	Restricted Bond Fund	General Operating Fund	June 30, 2021	June 30, 2020
CASH AND CASH EQUIVALENTS	$ 34,370,945	$ 160,859	$ 34,531,804	$ 35,872,237
TSR RECEIVABLE	17,877,790	-	17,877,790	16,599,019
PREPAID FEES AND INTEREST RECEIVABLE	565	9,036	9,601	8,885
TOTAL ASSETS	52,249,300	169,895	52,419,195	52,480,141
DEFERRED OUTFLOW OF RESOURCES				
Unamortized loss on refunded debt	691,168	-	691,168	1,111,110
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	$ 52,940,468	$ 169,895	$ 53,110,363	$ 53,591,251
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION				
ACCRUED INTEREST PAYABLE	$ 389,795	$ -	$ 389,795	$ 524,431
ACCOUNTS PAYABLE AND OTHER LIABILITIES	-	19,398	19,398	23,562
BONDS PAYABLE				
Interest bonds	92,590,000	-	92,590,000	124,025,000
Unamortized bond premium	5,352,197	-	5,352,197	8,298,672
	97,942,197	-	97,942,197	132,323,672
TOTAL LIABILITIES	98,331,992	19,398	98,351,390	132,871,665
DEFERRED INFLOW OF RESOURCES				
Unamortized Gain on refunded debt	559,637	-	559,637	817,869
TOTAL NET DEFICIT POSITION	(45,951,161)	150,497	(45,800,664)	(80,098,283)
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	$ 52,940,468	$ 169,895	$ 53,110,363	$ 53,591,251

Tobacco Settlement Authority
(A Component Unit of the State of Washington)
Schedule of Program Revenues, Expenses, and Changes in Program Net Position

	Restricted Bond Fund	General Operating Fund	Years Ended June 30, 2021	2020
REVENUES				
Tobacco settlement revenues and other income	$ 37,789,233	$ 88,970	$ 37,878,203	$ 34,429,824
Interest income	12,827	8	12,835	873,315
	37,802,060	88,978	37,891,038	35,303,139
EXPENSES				
Interest on debt	6,320,249	-	6,320,249	7,756,995
Amortization of bond premium	(2,946,475)	-	(2,946,475)	(2,877,664)
General and administrative	142,970	76,675	219,645	163,083
	3,516,744	76,675	3,593,419	5,042,414
CHANGE IN NET POSITION	34,285,316	12,303	34,297,619	30,260,725
Beginning of year	(80,236,477)	138,194	(80,098,283)	(110,359,008)
End of year	$ (45,951,161)	$ 150,497	$ (45,800,664)	$ (80,098,283)

 See report of independent auditors.

Tobacco Settlement Authority
(A Component Unit of the State of Washington)
Schedule of Program Cash Flows

	Restricted Bond Fund	General Operating Fund	Years Ended June 30, 2021	Years Ended June 30, 2020
OPERATING ACTIVITIES				
Cash received from tobacco settlement and other revenues	$ 36,510,462	$ 88,970	$ 36,599,432	$ 34,132,529
Cash paid for bond program expenses	(142,970)	-	(142,970)	(94,145)
Cash paid for general and administrative expenses	-	(82,590)	(82,590)	(53,994)
Net cash provided by (used for) operating activities	36,367,492	6380	36,373,872	33,984,390
INVESTING ACTIVITIES				
Cash received from interest income	13,862	8	13,870	957,275
NONCAPITAL FINANCING ACTIVITIES				
Principal repayment on bonds	(31,435,000)	-	(31,435,000)	(28,025,000)
Cash paid for bond interest expense	(6,293,175)	-	(6,293,175)	(7,729,562)
Net cash provided by (used for) financing activities	(37,728,175)	-	(37,728,175)	(35,754,562)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,346,821)	6,388	(1,340,433)	(812,897)
CASH AND CASH EQUIVALENTS				
Beginning of year	35,717,765	154,472	35,872,237	36,685,134
End of year	$ 34,370,944	$ 160,860	$ 34,531,804	$ 35,872,237
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES				
Excess (deficit) of revenues over expenses	$ 34,285,316	$ 12,303	$ 34,297,619	$ 30,260,725
Adjustments to reconcile operating income to net cash provided by (used for) operating activities				
Amortization of bond premium	(2,946,475)	-	(2,946,475)	(2,877,664)
Amortization of loss on refunded debt	161,710	-	161,710	147,132
Cash paid for bond interest expense	6,293,175	-	6,293,175	7,729,562
Cash received from interest income	(13,862)	(8)	(13,870)	(957,275)
Changes in assets and liabilities				
Increase in TSR receivable	(1,278,771)	-	(1,278,771)	(297,294)
(Increase) decrease in prepaid fees and other receivables	1,036	(1,751)	(715)	83,219
Decrease in accounts payable and other liabilities	-	(4,164)	(4,164)	(104,015)
Decrease in accrued interest payable	(134,637)	-	(134,637)	-
Net cash provided by (used for) operating activities	$ 36,367,492	$ 6,380	$ 36,373,872	$ 33,984,390