

Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors of
Dutchess Tobacco Asset Securitization Corporation:

We have audited the statement of net assets (deficit) and governmental fund balance sheet and the related statement of activities and governmental fund revenues, expenditures and changes in fund balance of Dutchess Tobacco Asset Securitization Corporation (a blended component unit of Dutchess County, New York), (the "Corporation") as of and for the year ended December 31, 2009, and have issued our report thereon dated March 26, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the entity and the Office of State Comptroller and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

March 26, 2010

Governance Information (Authority-Related)

Question	Response	URL (if applicable)
1. Has the authority prepared its annual report on operations and accomplishments for the reporting period as required by section 2800 of PAL?	Yes	The authority does not have a website or is unable to post documents to its website.
2. As required by section 2800(9) of PAL, did the authority prepare an assessment of the effectiveness of its internal controls?	No	
3. Has the lead audit partner for the independent audit firm changed in the last five years in accordance with section 2802(4) of PAL?	Yes	N/A
4. Does the independent auditor provide non-audit services to the authority?	No	N/A
5. Does the authority have an organization chart?	Yes	The authority does not have a website or is unable to post documents to its website.
6. Are any authority staff also employed by another government agency?	No	

Governance Information (Board-Related)

Question	Response	URL
1. Has the Board established a Governance Committee in accordance with Section 2824(7) of PAL?	Yes	N/A
2. Has the Board established an Audit Committee in accordance with Section 2824(4) of PAL?	Yes	N/A
3. Provide a URL link where a list of Board committees can be found (including the name of the committee and the date established):		The authority does not have a website or is unable to post documents to its website.
4. Does the majority of the Board meet the independence requirements of Section 2825(2) of PAL?	Yes	N/A
5. Provide a URL link to the minutes of the Board and committee meetings held during the covered fiscal year		The authority does not have a website or is unable to post documents to its website.
6. Has the Board adopted a statement of Board duties and responsibilities?	Yes	The authority does not have a website or is unable to post documents to its website.
7. Has the Board adopted bylaws and made them available to Board members and staff?	Yes	The authority does not have a website or is unable to post documents to its website.
8. Has the Board adopted a code of ethics for Board members and staff?	Yes	The authority does not have a website or is unable to post documents to its website.
9. Does the Board review and monitor the authority's implementation of financial and management controls?	Yes	N/A
10. Does the Board execute direct oversight of the CEO and management in accordance with Section 2824(1) of PAL?	Yes	N/A
11. Is there a separation of the Board and CEO/Senior Management positions in accordance with Section 2824(3) of PAL?	No	N/A
12. Has the Board adopted policies for the following in accordance with Section 2824(1) of PAL?		
Salary and Compensation	Yes	N/A
Time and Attendance	Yes	N/A
Whistleblower Protection	No	N/A
Defense and Indemnification of Board Members	Yes	N/A
13. Has the Board adopted a policy prohibiting the extension of credit to Board members and staff in accordance with Section 2824(5) of PAL?	Yes	N/A
14. Are the authority's Board members, officers, and staff required to submit financial disclosure forms in accordance with Section 2825(3) of PAL?	Yes	N/A

Board of Directors Listing

Name	Chair?	If Yes, Chair Designated By	Appointed By	Nominated By	Confirmed by Senate	Complied w/Training Requirement Of Section 2824	Also holds elected or appointed State government position?	Also holds elected or appointed municipal government position?	Term Start Date	Term Expiration Date
Montgomery, Paul	No		Local	Local		No	No	No	11/18/2003	Pleasure of Authority
Betros, Michael	No		Local	Local		No	No	No	03/15/2010	Pleasure of Authority
Wozniak, Ronald L	Yes	Elected by Board	Local	Local		Yes	No	Yes	07/13/2005	Pleasure of Authority

Annual Report for Dutchess Tobacco Asset Securitization Corporation
Fiscal Year Ending 12/31/2009

Run Date: 03/30/2010
Status: CERTIFIED

Staff Listing

Name	Title	Group	Department / Subsidiary	Union Name	Bargaining Unit	Full Time/ Part Time	Exempt Indicator	Annualized Salary paid by Authority	Bonus Amount paid by Authority	Over time Amount paid by Authority	Total Compensation paid by Authority	Individual also paid by another entity to perform the work of the authority	If yes, is the payment made by state or local government?
This authority has indicated that it has no staff during the reporting period.													

Benefit Information

During the fiscal year, did the authority continue to pay for any of the above mentioned benefits for

No

Board Members

Name	Title	Severance Package	Payment for Unused Leave	Club Membership	Use of Corporate Credit Cards	Personal Loans	Auto	Transportation	Housing Allowance	Spousal / Dependent Life Insurance	Tuition Assistance	Multi-Year Employment	None of These Benefits	Other
Wozniak, Ronald L	Board of Directors												X	
Montgomery, Paul	Board of Directors												X	
Betros, Michael	Board of Directors												X	

Staff

Name	Title	Severance Package	Payment for Unused Leave	Club Membership	Use of Corporate Credit Cards	Personal Loans	Auto	Transportation	Housing Allowance	Spousal / Dependent Life Insurance	Tuition Assistance	Multi-Year Employment	None of These Benefits	Other
No Data has been entered by the Authority for this section in PARIS														

Annual Report for Dutchess Tobacco Asset Securitization Corporation
Fiscal Year Ending 12/31/2009

Run Date: 03/30/2010
Status: CERTIFIED

Subsidiary/Affiliate Verification

Is the list of subsidiaries, as assembled by the Office of the State Comptroller, correct? Yes
Are there other affiliates or subsidiaries of the authority that are active, not included in the PARIS reports submitted by this authority? No

Name of Subsidiary/Affiliate	Status	Requested Changes

Subsidiary/Affiliate Creation

Name of Subsidiary/Affiliate	Establishment Date	Entity Purpose

Subsidiary/Affiliate Termination

Name of Subsidiary/Affiliate	Termination Date	Termination Reason	Proof Termination

No Data has been entered by the Authority for this section in PARIS

Summary Financial Information

SUMMARY STATEMENT OF NET ASSETS

<u>Assets</u>	
Current Assets	
Cash and cash equivalents	\$61,342
Investments	\$60,650
Receivables, net	\$0
Other assets	\$3,441,438
Total Current Assets	\$3,563,430
Noncurrent Assets	
Restricted cash and investments	\$3,595,357
Long-term receivables, net	\$0
Other assets	\$1,003,109
Capital Assets	
Land and other nondepreciable property	\$0
Buildings and equipment	\$0
Infrastructure	\$0
Accumulated depreciation	\$0
Net Capital Assets	\$0
Total Noncurrent Assets	\$4,598,466
Total Assets	\$8,161,896

Summary Financial Information

SUMMARY STATEMENT OF NET ASSETS

Liabilities

Current Liabilities

Accounts payable	\$0
Pension contribution payable	\$0
Other post-employment benefits	\$0
Accrued liabilities	\$8,303,905
Deferred revenues	\$0
Bonds and notes payable	\$0
Other long-term obligations due within one year	\$0
Total Current Liabilities	\$8,303,905

Noncurrent Liabilities

Pension contribution payable	\$0
Other post-employment benefits	\$0
Bonds and notes payable	\$0
Other long-term obligations	\$62,554,343
Total Noncurrent Liabilities	\$62,554,343

Total Liabilities

\$70,858,248

Net Asset (Deficit)

Net Asset

Invested in capital assets, net of related debt	\$0
Restricted	(\$62,696,352)
Unrestricted	\$0
Total Net Assets	(\$62,696,352)

Summary Financial Information

SUMMARY STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

Operating Revenues

Charges for services	\$0
Rental & financing income	\$0
Other operating revenues	\$3,940,346
Total Operating Revenue	\$3,940,346

Operating Expenses

Salaries and wages	\$0
Other employee benefits	\$0
Professional services contracts	\$61,312
Supplies and materials	\$0
Depreciation & amortization	\$87,149
Other operating expenses	\$0
Total Operating Expenses	\$148,461
Operating Income (Loss)	\$3,791,885

Nonoperating Revenues

Investment earnings	\$165,780
State subsidies/grants	\$0
Federal subsidies/grants	\$0
Municipal subsidies/grants	\$0
Public authority subsidies	\$0
Other nonoperating revenues	\$0
Total Nonoperating Revenue	\$165,780

Summary Financial Information

SUMMARY STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

Nonoperating Expenses

Interest and other financing charges	\$4,449,862
Subsidies to other public authorities	\$0
Grants and donations	\$0
Other nonoperating expenses	\$0
Total Nonoperating Expenses	\$4,449,862
Income (Loss) Before Contributions	(\$492,197)
Capital Contributions	\$0
Change in net assets	(\$492,197)
Net assets (deficit) beginning of year	(\$62,204,155)
Other net assets changes	\$0
Net assets (deficit) at end of year	(\$62,696,352)

Current Debt

Question	Response
1. Did the Authority have any outstanding debt, including conduit debt, at any point during the reporting period?	Yes
2. If yes, has the Authority issued any debt during the reporting period?	No

New Debt Issuances List by Type of Debt and Program

No Data has been entered by the Authority for this section in PARIS

Schedule of Authority Debt

Type of Debt	Statutory Authorization (\$)	Outstanding Start of Fiscal year (\$)	New Debt Issuances (\$)	Debt Retired (\$)	Outstanding End of Fiscal Year (\$)
State Obligation					
State Guaranteed					
State Supported					
State Contingent Obligation					
State Moral Obligation					
Other State Funded					
Authority Obligation					
General Obligation					
Revenue					
Other Non-State Funded	0.00	66,271,279.00	0.00	2,165,000.00	64,106,279.00
Conduit Debt					

Real Property Acquisition/Disposal List

This Authority has indicated that it had no real property acquisitions or disposals during the reporting period.

Personal Property

This Authority has indicated that it had no personal property disposals during the reporting period.

Property Documents

Question	Response	URL (if applicable)
1. In accordance with Section 2896(3) of PAL, the authority is required to prepare a report at least annually of all real property of the authority. Has this report been prepared?	No	
2. Has the authority prepared policies, procedures, or guidelines regarding the use, awarding, monitoring, and reporting of contracts for the acquisition and disposal of property?	No	
3. In accordance with Section 2896(1) of PAL, has the authority named a contracting officer who shall be responsible for the authority's compliance with and enforcement of such guidelines?	No	

Grant Information

This Authority has indicated that it did not award any grants during the reporting period.

Loan Information

This Authority has indicated that it did not award any loans during the reporting period.

Bond Information

This Authority has indicated that it did not have any outstanding bonds during the reporting period.

Annual Report for Dutchess Tobacco Asset Securitization Corporation
Fiscal Year Ending 12/31/2009

Run Date: 03/30/2010
Status: CERTIFIED

Additional Comments:

Financial Documents:

Question	Response	URL (if applicable)
1. Has an independent audit of the authority's financial statements been completed?	Yes	The authority does not have a website or is unable to post documents to its website.
2. Has the authority's independent auditor issued a management letter to the authority in connection with its audit of the authority's financial statements?	No	
3. Has the authority's independent auditor issued a Report on Internal Controls Over Financial Reporting to the authority?	Yes	The authority does not have a website or is unable to post documents to its website.

Certified Financial Audit for Dutchess Tobacco Asset Securitization Corporation

Run Date: 03/30/2010

Fiscal Year Ending 12/31/2009

Status: CERTIFIED

Additional Comments:

Dutchess Tobacco Asset Securitization Corporation

(A blended component unit of Dutchess County, New York)

**Management's Discussion and Analysis
and Basic Financial Statements**

December 31, 2009

Dutchess Tobacco Asset Securitization Corporation

(A blended component unit of Dutchess County, New York)

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December 31, 2009

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Report of Independent Auditors

To the Board of Directors of
Dutchess Tobacco Asset Securitization Corporation:

In our opinion, the accompanying statement of net assets (deficit) and governmental fund balance sheet and the related statement of activities and governmental fund revenues, expenditures and changes in fund balance present fairly, in all material respects, the financial position of Dutchess Tobacco Asset Securitization Corporation (a blended component unit of Dutchess County, New York), (the "Corporation") at December 31, 2009 and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2010 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 2 through 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

PricewaterhouseCoopers LLP

March 26, 2010

Dutchess Tobacco Asset Securitization Corporation

(A blended component unit of Dutchess County, New York)

Management's Discussion and Analysis

December 31, 2009

The following discussion and analysis of the financial statements of the Dutchess Tobacco Asset Securitization Corporation (the "TASC" or "Corporation") provides an overview of the Corporation's financial activities from January 1, 2009 to December 31, 2009. It should be read in conjunction with the basic financial statements and notes to the financial statements contained herein.

This report of the TASC includes statements that are not historical or current facts and are considered "forward looking statements" under accounting principles generally accepted in the United States of America. Forward looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those presently anticipated. The management of the TASC cautions readers not to place undue reliance on any such forward looking statements. Some of the factors that could cause actual results to differ materially from forward looking statements include, for example, a change in realized tobacco settlement payments or other uncertainties not identified at this time.

The TASC undertakes no obligation to publicly correct or update any forward looking statement if it later becomes aware that such results have not or are not likely to be achieved.

The Corporation

The Corporation was formed on December 1, 2003. In December 2003, the Corporation entered into a Purchase and Sale Agreement with the County of Dutchess to purchase the rights, title and interest in Tobacco Settlement fund litigation awards in the amount of \$41.97 million, under a Master Settlement Agreement (the "MSA"). The MSA was entered into on November 23, 1998, among the Attorneys General of 46 states, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the U.S. Virgin Islands, American Samoa and the Commonwealth of the North Mariana Islands (collectively the "Settling States") and the four largest United States tobacco manufacturers" Philip Morris Incorporated, R.J. Reynolds Tobacco Company, Brown & Williamson Tobacco Corporation, and Lorillard Tobacco Company (collectively the "Original Participating Manufacturers or "OPMs"). The MSA resolved cigarette smoking-related claims by the Settling States, and provides for a continuing release of future smoking-related claims in exchange for certain payments to be made to the Settling States. The MSA also provides for the imposition of certain tobacco advertising and marketing restrictions, among other things. The Corporation is not a party to the MSA.

On December 18, 2003, the Corporation, together with local development corporations in Rockland and Oswego counties formed a pool known as the New York Counties Tobacco Trust III and issued \$79.7 million in Tobacco Settlement Pass-Through Bonds Series 2003 (Turbo Term Bonds). The TASC's share of the pool totaled \$47.8 million.

In November 2005, the Corporation entered into a Purchase and Sale Agreement with the County of Dutchess to purchase the rights, title and interest in Tobacco Settlement fund litigation awards in the amount of \$25.5 million. On November 28, 2005, the New York Counties Tobacco Trust V was formed and issued \$199.4 million in Tobacco Settlement Bonds Series 2005 [Subordinate Turbo Capital Appreciation Bonds ("CABs")]. The TASC's share of this pool totaled \$26.2 million.

Both Series of bonds are collateralized by, and payable from, all of the annual payments allocated to the County under the MSA. The bond payments are due on the Subordinate Turbo CAB bonds after the series 2003 Term bonds are paid in order to match the cash flows of the underlying collateral. On December 31, 2009, \$36,318,064 and \$26,236,279 (excluding accrued interest of \$8,303,902) remained outstanding under the Turbo Term Bonds and the Subordinate Turbo CABs, respectively.

Dutchess Tobacco Asset Securitization Corporation
(A blended component unit of Dutchess County, New York)
Management Discussion and Analysis
December 31, 2009

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. The Corporation's basic financial statements consist of three components: 1) government-wide financial statements, 2) governmental fund financial statements, and 3) notes to the financial statements. Due to the single purpose nature of the activities of the Corporation, the government-wide and governmental fund financial statements have been presented together with an adjustments column reconciling the differences.

The *Statement of Net Assets (Deficit) and Governmental Fund Balance Sheet* includes all of the Corporation's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Corporation creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Corporation and assessing the liquidity and financial flexibility of the Corporation. The Statement of Net Assets (Deficit) column reports information about the Corporation using accounting methods similar to those used by private sector companies (accrual basis of accounting) and presents all assets and liabilities of the Corporation – both current and long-term. The Governmental Fund Balance Sheet focuses on the Corporation's balances of spendable resources available for the payment of governmental expenditures including payment of debt service requirements at the end of the current period.

All of the current period's activity is accounted for in the *Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance*. These statements measure the success of the Corporation's operations and can be used to determine the Corporation's ability to meet its financial objectives and credit-worthiness. The Statement of Activities column presents information on how the Corporation's net assets changed during the most recent fiscal period. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The Governmental Fund Revenues, Expenditures and Changes in Fund Balances focuses primarily on the Corporation's other financing sources for the fiscal year.

Summary of Financial Results

Government-Wide Financial Statements

The table below summarizes the Corporation's Statement of Net Assets (Deficit) at December 31, 2009 and 2008.

	2009	2008	Change	Change
Cash and cash equivalents and restricted investments	\$ 3,563,430	\$ 3,526,216	\$ 37,214	1.06%
Due from other governments	3,595,357	4,015,945	(420,588)	-10.47%
Other assets	1,003,109	1,020,708	(17,599)	-1.72%
Total assets	\$ 8,161,896	\$ 8,562,869	\$ (400,973)	-4.68%
Accrued interest payable	\$ 8,303,902	\$ 6,117,231	\$ 2,186,671	35.75%
Bonds payable	62,554,343	64,649,793	(2,095,450)	-3.24%
Total liabilities	\$ 70,858,245	\$ 70,767,024	\$ 91,221	0.13%
Total net assets (deficit)	\$ (62,696,349)	\$ (62,204,155)	\$ (492,194)	0.79%

Dutchess Tobacco Asset Securitization Corporation
 (A blended component unit of Dutchess County, New York)
Management Discussion and Analysis
December 31, 2009

At December 31, 2009, the Corporation assets amounted to \$8.2 million, of which \$3.5 million is restricted cash and investments and \$3.6 million is due from other governments for 2009 tobacco settlement revenue expected to be received in 2010. At December 31, 2009, total liabilities of the Corporation amounted to \$70.9 million, of which \$62.6 million is bonds payable. The change in net assets (deficit) from 2008 to 2009 relates primarily to the receipt of tobacco settlement revenue of \$3.9 million offset by interest expense of \$4.4 million. Accrued interest increased by \$2.2 million due to the accrual of interest on the Subordinated Turbo CABs which will not be paid until the Turbo Term Bonds are paid in full, currently scheduled in 2043.

Statement of Activities. The table below summarizes the Corporation's Statement of Activities for the years ended December 31, 2009 and 2008.

	2009	2008	Change	Change
Revenues	\$ 4,106,130	\$ 4,298,283	\$ (192,153)	(4.47)%
Expenses	4,598,324	4,589,796	8,528	0.19 %
Decrease in net assets (deficit)	(492,194)	(291,513)	(200,681)	(68.84)%
Net assets (deficit) - beginning of year	(62,204,155)	(61,912,642)	(291,513)	(0.47)%
Net assets (deficit) - end of year	\$ (62,696,349)	\$ (62,204,155)	\$ (492,194)	(0.79)%

In 2009, the Corporation's revenues consist of \$3,940,000 of tobacco settlement revenue and \$166,000 of investment income. In 2009, the Corporation's expenses consisted of, interest expense of \$4,450,000, administrative expenses of \$61,000 and amortization expense of \$87,000 as compared to interest expense of \$4,408,000, administrative expense of \$93,000 and amortization expenses of \$89,000 in 2008.

Governmental Fund Financial Statement

Governmental Fund Balance Sheet. The table below summarizes the Corporation's Balance Sheet at December 31, 2009 and 2008.

	2009	2008	Change	Change
Total assets	\$ 7,158,787	\$ 7,542,161	\$ (383,374)	(5.08)%
Total fund balance	\$ 7,158,787	\$ 7,542,161	\$ (383,374)	(5.08)%

The Corporation's assets, as reported on the Governmental Fund Balance Sheet, amounted to \$7.2 million at December 31, 2009, which include cash and cash equivalents, restricted investments and amounts due from other governments.

Dutchess Tobacco Asset Securitization Corporation

(A blended component unit of Dutchess County, New York)

Management Discussion and Analysis

December 31, 2009

Governmental Fund Statement of Revenue, Expenditures, and Changes in Fund Balance. The table below summarizes the Corporation's Governmental Fund Revenues, Expenditures and Changes in Fund Balance for the years ended December 31, 2009 and 2008.

	2009	2008	Change	Change
Revenues	\$ 4,106,130	\$ 4,298,283	\$ (192,153)	(4.47)%
Expenditures	4,489,504	4,249,962	239,542	5.64 %
(Deficiency) excess of revenues over expenditure	(383,374)	48,321	(431,695)	(893.39)%
Fund balance - beginning of year	7,542,161	7,493,840	48,321	0.64 %
Fund balance - end of year	\$ 7,158,787	\$ 7,542,161	\$ (383,374)	(5.08)%

In 2009, revenues of \$4,106,000 reflect \$3,940,000 in tobacco settlement revenue and \$166,000 in investment income, whereas in 2008, revenues of \$4,298,000 reflect the receipt of \$4,119,000 in tobacco settlement revenue and \$179,000 in investment income.

In 2009, the Corporation's expenditures primarily include repayment of principal of \$2,165,000, interest expense of \$2,263,000 and administrative expenses of \$61,000, whereas in 2008, expenditures primarily included repayment of principal of \$1,795,000 interest expense of \$2,362,000 and administrative expenses of \$93,000.

Long Term Debt Activity

The 2003 Series Bonds issued by the Corporation are forty-year obligations scheduled to retire in ordinary course in May 2043. However, under early redemption provisions, particularly Turbo Redemption's, any MSA payments exceeding annual debt service requirements of the Bonds must be applied to the early redemption of principal. During 2009, the Corporation made a Turbo Redemption payment in the amount of \$2,165,000

During 2005, the Corporation issued additional bonds, Subordinate Turbo CABs that are subordinate to the 2003 Series Bonds. The Subordinate Turbo CABs consist of four series scheduled to retire in ordinary course in June 2038, 2050, 2055 and 2060.

Since the Corporation has pledged all future Tobacco Settlement revenues ("TSRs") to the bonds currently outstanding until those bonds have been retired, the Corporation cannot issue additional debt without rating agency confirmation and residual holder consent. The Corporation monitors market conditions for circumstances conducive to undertaking a refunding transaction that would result in savings of interest expense over time. No such conditions arose during the most recently completed fiscal period.

Significant Currently Known Facts

The following are currently known facts that could have a potential significant effect on net assets and changes in fund balance in future years.

Dutchess Tobacco Asset Securitization Corporation

(A blended component unit of Dutchess County, New York)

Management Discussion and Analysis

December 31, 2009

Payment Collections

On November 23, 1998, participating cigarette manufacturers, entered into a Master Settlement Agreement with 46 states and 5 other jurisdictions. The Master Settlement Agreement provides for Tobacco Settlement payments in exchange for a release from claims. Tobacco Settlement payments consists of initial payments to be received through 2003; annual payments, to be made on April 15, continuing in perpetuity; and strategic contribution fund payments, to be made on April 15, 2008 continuing annually through 2017.

Payments may vary based on inflation adjustments, volume adjustments of cigarette sales, litigation adjustments from non-settling states, offsets for miscalculated or disputed payments, federal tobacco legislation offsets, litigation releasing parties offsets, and offsets for claims over the amounts of the award.

The ability of the Corporation to make debt service payments on bonds is contingent upon the receipt of Tobacco Settlement payments. The bonds issued by the Corporation do not constitute a claim against the full faith, credit, or taxing powers of Dutchess County, New York.

Contacting the TASC's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the TASC's finances and to demonstrate its accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ronald L. Wozniak, President or Pamela Barrack, Treasurer, 22 Market Street, Poughkeepsie, New York 12601.

Dutchess Tobacco Asset Securitization Corporation
(A blended component unit of Dutchess County, New York)
Statement of Net Assets (Deficit) and Governmental Fund Balance Sheet
December 31, 2009

	Special Revenue Fund and Total Governmental Fund	Entity-wide Adjustments	Statement of Net Assets (Deficit)
Assets			
Current assets			
Cash and cash equivalents	\$ 61,342	\$ -	\$ 61,342
Restricted cash	60,650	-	60,650
Due from other governments	3,595,357	-	3,595,357
Total current assets	<u>3,717,349</u>	<u>-</u>	<u>3,717,349</u>
Noncurrent assets			
Bond issuance costs, net of accumulated amortization of \$114,902	-	1,003,109	1,003,109
Restricted investments	3,441,438	-	3,441,438
Total noncurrent assets	<u>3,441,438</u>	<u>1,003,109</u>	<u>4,444,547</u>
Total assets	<u>\$ 7,158,787</u>	<u>\$ 1,003,109</u>	<u>\$ 8,161,896</u>
Liabilities			
Noncurrent liabilities			
Accrued interest	\$ -	\$ 8,303,902	\$ 8,303,902
Bonds payable, net of a discount of \$1,551,936	-	62,554,343	62,554,343
Total liabilities	<u>-</u>	<u>70,858,245</u>	<u>70,858,245</u>
Fund Balance/Net Assets (Deficit)			
Fund Balance			
Reserved for debt service	7,158,787	(7,158,787)	-
Total fund balance	<u>7,158,787</u>	<u>(7,158,787)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 7,158,787</u>		
Net assets (deficit)			
Restricted		(62,696,349)	(62,696,349)
Total net assets (deficit)		<u>\$ (62,696,349)</u>	<u>\$ (62,696,349)</u>

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

Dutchess Tobacco Asset Securitization Corporation

(A blended component unit of Dutchess County, New York)

Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance

Year Ended December 31, 2009

	Special Revenue Fund and Total Governmental Funds	Entity-wide Adjustments	Statement of Activities
General revenues			
Other financing sources			
Investment income	\$ 165,785	\$ -	\$ 165,785
Tobacco settlement revenue	3,940,345	-	3,940,345
Total general revenues	<u>4,106,130</u>	<u>-</u>	<u>4,106,130</u>
General expenditures/expenses			
Other financing uses			
Interest expense	2,263,192	2,186,671	4,449,863
Amortization of discount	-	69,550	69,550
Amortization of bond issuance costs	-	17,599	17,599
Administrative expenses	61,312	-	61,312
Debt service principal payments	2,165,000	(2,165,000)	-
Total expenditures/expenses	<u>4,489,504</u>	<u>108,820</u>	<u>4,598,324</u>
Deficiency of revenues over expenditures	(383,374)	-	-
Decrease in net assets (deficit)	-	-	(492,194)
Fund balance/net assets (deficit)			
Beginning of the year	<u>7,542,161</u>	<u>-</u>	<u>(62,204,155)</u>
End of the year	<u>\$ 7,158,787</u>	<u>\$ -</u>	<u>\$ (62,696,349)</u>

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

Dutchess Tobacco Asset Securitization Corporation

(A blended component unit of Dutchess County, New York)

Notes to Financial Statements

December 31, 2009

1. Reporting Entity and Significant Accounting Policies

Dutchess Tobacco Asset Securitization Corporation (Blended Component Unit)

The Dutchess Tobacco Asset Securitization Corporation (the "TASC" or "Corporation") is a special purpose local development corporation organized pursuant to Section 1411 of the Not-For-Profit Corporation Law of the State of New York, created by Dutchess County (the "County") for the purposes of: (i) purchasing from the County all rights, title and interest in certain litigation awards under the Consent Decree and Final Judgment of the Supreme Court of the State of New York dated December 23, 1998 and in and under all portions due to the County under the Master Settlement Agreement with respect to tobacco related litigation among various Settling States and participating manufacturers, (ii) to purchase, acquire, own, hold, sell, dispose of tobacco assets and any future rights of tobacco assets and (iii) to issue and sell bonds to pay for the acquisition of such tobacco assets. The sole member of the Corporation is the County Attorney. There are three directors, one appointed by the County Executive, one appointed by the Chairman of the Dutchess County Legislature and one jointly appointed by the County Executive and Chairman of the County Legislature.

2. Summary of Significant Accounting Policies

General

The accompanying general purpose financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America for governments as prescribed by Governmental Accounting Standards Board (GASB) which is the primary standard setting body for establishing governmental accounting and financial reporting principles.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are considered measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Corporation considers revenues to be available if they are collected within one year after the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers who purchase, use, or benefit from the services provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted interest income and tobacco settlement rights not properly included among program revenues are reported as general revenues. The Corporation has no program revenues.

Dutchess Tobacco Asset Securitization Corporation

(A blended component unit of Dutchess County, New York)

Notes to Financial Statements

December 31, 2009

In addition to the government-wide financial statements, the Corporation has prepared financial statements for the Corporation's only governmental fund. Governmental fund financial statements continue to use the modified accrual basis of accounting and the current financial resources measurement focus. Accordingly, the accounting and financial reporting of the fund financial statements is similar to what previously could have been presented in the Corporation's financial statements, although the format of the financial statements has been modified by Governmental Accounting Standards Board (GASB). Due to the single purpose nature of the activities of the Corporation, the government-wide and fund financial statements have been presented together with an adjustments column reconciling the differences.

Under the entity-wide basis the Corporation is required to report the full amount of the bonds outstanding, however, cannot recognize the tobacco settlement revenue to be received in the future. The future collection of tobacco settlement revenue (TSR) is dependent on many factors, including future cigarette consumption. As such, the future collection is not reasonably estimatable and is not recorded as an asset in either the government-wide financial statements or the governmental fund financial statements. This results in a significant deficit in net assets on the government-wide financial statements.

The Corporation reports one governmental fund - the Special Revenue Fund. As a blended component unit of Dutchess County, New York, the Special Revenue Fund is combined into the Governmental Funds of Dutchess County, New York. When both restricted and unrestricted resources are available for use, it is the Corporation's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents

Cash includes cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date acquired by the Corporation. The carrying value of unrestricted cash at December 31, 2009 was \$61,342 and is covered by Federal Depository Insurance.

Investments

Under the GASB's authoritative guidance on accounting and financial reporting for investments, the Corporation reports investments at amortized cost in the statement of net assets and governmental fund balance sheet as all investments are in commercial paper with maturity dates within one year. All investment income is reported as revenue in the statement of activities and the statement of revenues, expenditures, and changes in fund balance.

The Corporation's investment policy is to invest in high quality investments at a yield not to exceed the yield on the TASC bonds.

Due from Other Governments

Due from other governments represents amounts owed to the TASC for tobacco settlement revenue earned in 2009.

Bond Issuance Costs

Bond issuance costs are amortized over the life of the bonds using the effective interest method.

Accrued Interest

Accrued interest represents interest expense owed on the Series 2003 Term Bonds and Subordinate Turbo Capital Appreciation Bonds that will be paid in the future.

Dutchess Tobacco Asset Securitization Corporation
 (A blended component unit of Dutchess County, New York)
Notes to Financial Statements
December 31, 2009

Income Taxes

The Corporation is exempt from the payment of all Federal and State income taxes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Restricted Cash and Investment

Restricted cash and investments consist of amounts required to be a deposit by the Turbo Term Bonds agreement until the Bonds are paid in full, which is scheduled in 2043.

Restricted cash and investments at December 31, 2009 were as follows:

Cash restricted for debt service	\$ 60,650
Investments restricted- debt service	3,441,438
	<u>\$ 3,502,088</u>

Investments consist of collateralized commercial paper which is all scheduled to mature within the next year.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Corporation manages and attempts to minimize interest rate risk by investing in short-term investments that mature within one year, so that they can react to changing interest rates.

4. Bonds Payable

On December 18, 2003, the Corporation issued the 2003 New York Counties Tobacco Trust III Tobacco Settlement Pass-Through Bonds (Series 2003 Term Bonds) amounting to \$47,815,000, with an issue value of \$45,912,363, net of bond discount of \$1,902,637. Proceeds of \$41,970,000 were used to purchase tobacco settlement rights from Dutchess County. On November 28, 2005, the Corporation issued the 2005 New York Tobacco Trust V, Tobacco Settlement Pass Through Bonds [Subordinate Turbo Capital Appreciation Bonds ("CABs")] amounting to \$26,236,279. Proceeds of \$25,500,000 were used to purchase tobacco settlement rights from Dutchess County. The bonds are collateralized and payable from collections including all tobacco settlement revenues to be received by the Corporation, reserves, amounts held in other accounts established by the indenture and the Corporation's rights under the purchase agreement. The proceeds have been used for the purpose of purchasing all rights, title and interest in certain litigation awards under the Master Settlement Agreement entered into by participating cigarette manufacturers.

Bonds payable at December 31, 2009, amounted to \$36,318,064 and \$26,236,279 for the Series 2003 Term Bonds and the Subordinate Turbo CABs (collectively the "TASC Bonds"), respectively.

Dutchess Tobacco Asset Securitization Corporation

(A blended component unit of Dutchess County, New York)

Notes to Financial Statements

December 31, 2009

Interest on the Series 2003 Term Bonds is payable semi-annually at interest rates ranging from 5.00% - 6.00% on each June and December 1, beginning with June 1, 2004. The Corporation is responsible for all principal and interest payments on the bonds. Interest was paid in the amount of \$2,263,188 during the year ended December 31, 2009 on the Series 2003 Term Bonds.

Principal and interest on the Subordinate Turbo CABs are subordinate to the Series 2003 Term Bonds and therefore will not be paid until the Series 2003 Term Bonds are fully paid. Interest on the Subordinate Turbo CABs is accruing at rates ranging from 6.00% - 7.85%.

The following displays the 2009 activity related to bonds payable:

Debt	2009 Beginning Balance	Add New Debt	Less Payments	2009 Ending Balance
Series 2003 Term Bonds	\$ 40,035,000	\$ -	\$ (2,165,000)	37,870,000
Subordinate Turbo CABs	26,236,279	-	-	26,236,279
Bonds payable, gross	<u>\$ 66,271,279</u>	<u>\$ -</u>	<u>\$ (2,165,000)</u>	<u>\$ 64,106,279</u>

Future maturity dates and debt service requirements, for the Series 2003 Term Bonds are as follows:

Year Ended 12/31/09	Principal	Interest	Total
2010	\$ -	\$ 2,209,063	\$ 2,209,063
2011	-	2,209,063	2,209,063
2012	-	2,209,063	2,209,063
2013	-	2,209,063	2,209,063
2014-2018	-	11,045,313	11,045,313
2019-2023	-	11,045,313	11,045,313
2024-2028	5,375,000	10,461,100	15,836,100
2029-2033	7,625,000	8,599,068	16,224,068
2034-2038	10,495,000	5,968,950	16,463,950
2039-2043	14,375,000	2,267,250	16,642,250
	<u>37,870,000</u>	<u>58,223,246</u>	<u>96,093,246</u>
Less Discount	(1,551,936)	-	(1,551,936)
Total	<u>\$ 36,318,064</u>	<u>\$ 58,223,246</u>	<u>\$ 94,541,310</u>

Dutchess Tobacco Asset Securitization Corporation

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Notes to Financial Statements

December 31, 2009

Future maturity dates and debt service requirements for the Subordinate Turbo CABs are as follows:

Year Ended December 31	TASC Bonds		
	Principal	Interest	Total
2010-2037	\$ -	\$ -	\$ -
2038-2042	10,384,242	60,565,758	70,950,000
2043-2047	-	-	-
2048-2052	4,889,934	66,030,066	70,920,000
2053-2057	2,604,375	70,490,625	73,095,000
2058-2060	8,357,728	547,342,272	555,700,000
Total	<u>\$ 26,236,279</u>	<u>\$ 744,428,721</u>	<u>\$ 770,665,000</u>

Other Information

The Series 2003 Term Bonds are subject to "Turbo Redemption".

"Turbo Redemptions" represent the requirement contained in the Indenture to apply 100% of all collections that are in excess of the requirements in the Indenture for the funding of the operating expenses; interest, sinking fund installments, and term bond maturities; maintenance of the Liquidity Reserve Account (such excess, surplus collections); to the redemption of Series 2003 Term Bonds on each distribution date (each a Turbo Redemption Date) in ascending order of maturity. Such surplus collections will be deposited in an account established and maintained by the trustee under the Indenture (the Turbo Redemption Account). Turbo Redemptions will be credited against sinking fund installments for any particular Series 2003 Term Bonds in ascending order of sinking fund installment dates. Turbo Redemptions are not scheduled amortization payments and are to be made only from surplus collections. In June 2009, the Corporation made a Turbo Redemption payment of \$2,165,000.

5. Concentration of Credit Risk

The ability of the Corporation to make debt service payments on the TASC Bonds is contingent upon the receipt of TSRs. TSR payments may vary based on inflation adjustments, volume of cigarette sales adjustments, litigation adjustments from non-settling states, offsets for miscalculated or disputed payments, federal tobacco legislation offsets, litigation releasing party offsets, and offsets for claims over the amounts of the award.

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The TASC Bonds are collateralized by and payable solely from TSRs and investment earnings pledged under the Bond Indentures and amounts established and held in accordance with the Bond Indentures.

The TASC Bonds are payable only from the assets of the Corporation. The Subordinate Turbo CABs are subordinate to the Series 2003 Term Bonds and no amounts will be paid on the Subordinate Turbo CABs until the Series 2003 Term Bonds are paid in full. In the event that the assets of the Corporation have been exhausted, no amounts will thereafter be paid on the TASC Bonds. The TASC Bonds are not legal or moral obligations of Dutchess County and no recourse may be had thereto for payment of amounts owing on the TASC Bonds. The Corporation's only source of funds for payments on the TASC Bonds is the TSRs. The Corporation has no taxing power.

Because of the many adjustments included in the Master Settlement Agreement (MSA), it is not possible to know the exact future collections under the MSA.

6. Contingencies

The assets of the Corporation are not available to pay any creditor of Dutchess County. The bonds issued by the Corporation do not constitute a claim against the full faith, credit and taxing power of the General Fund of Dutchess County. The ability of the Corporation to meet debt service payments of bonds is contingent upon the receipt of Tobacco Settlement awards.

7. Subsequent Events

The Corporation has performed an evaluation of subsequent events through March 26, 2010, which is the date the financial statements were issued.