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# Favorable Audit For Tobacco Settlement Financing Corporation is Confirmation that Securitization Strategy Can Work, Bryan Says

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Government House on Monday announced that the Tobacco Settlement Financing Corporation received an unqualified audit opinion for its financial statements of the governmental activities, the debt service major fund and the aggregate remaining fund information for the period of October 1, 2018 through September 30, 2019 as reported by the public accounting firm BDO USA, LLP.

According to the administration, an unqualified audit means that there were no errors or anomalies found and that all standard accounting practices were being followed.

Governor Albert Bryan serves as the president of the board of directors of the corporation, which was created by law in 2001 under the Virgin Islands Public Finance Authority to manage the

Government of the Virgin Islands' settlement from the 1998 national settlement the tobacco companies reached with the United States Government.

The \$18.4 million in proceeds from the settlement were used to back two bond issuances — one in 2001 for \$21.7 million and a second in 2006 for \$48.1 million. The proceeds from the bond sales were used to finance several hospital and health department capital projects, including the Charlotte Kimelman Cancer Institute on St. Thomas and the construction of the V.I. Cardiac Center on St. Croix.

Government House said the Tobacco Settlement Financing Corporation is a financial vehicle similar to the one Mr. Bryan proposed to securitize the Matching Fund Revenues last year.

In August, ahead of Senate hearings to discuss his controversial debt refinancing plan [which ultimately failed](#), Mr. Bryan commented on bond rating service Moody's upgrade of the Tobacco Settlement Revenue Securitization Bonds from A3 to A1., "As we prepare to establish another securitization corporation to securitize the Matching Fund revenues, this upgrade confirms that our approach to establish an independent corporation to issue the Matching Fund Revenue Bonds is looked on favorably by the ratings agencies, resulting in an investment-grade rating and lower interest cost for our bonds," he said.

In BDO's unqualified opinion, the audit report, which Gov't House said was completed last week, noted that the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the debt service major fund, and the aggregate remaining fund information of the Corporation as of September 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The audit was conducted in accordance with auditing standards that are applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, according to the release.

Government House said the unqualified opinion further supports the governor's proposal that creating a securitization corporation to manage a specific revenue stream in support of bonds issued to finance public projects can be done in a manner that adheres to the highest standards of transparency and accountability.

"Receiving an unqualified audit opinion is truly a significant achievement. It signals to investors that Corporation is doing an excellent job of managing its finances," Mr. Bryan said.

As of December 31, 2020, the Corporation had outstanding bonds from the Series 2001 and 2006 bonds totaling \$21.6 million: \$3.5 million from the 2001 Series and \$18.1 million from the 2006 Series.