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Governor Bryan Announces Favorable Audit For Tobacco Settlement Financing Corporation

U.S. VIRGIN ISLANDS — Governor Albert Bryan, Jr., 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 of BDO USA, LLP.

An unqualified audit means that there were no errors or anomalies found and that all standard accounting practices were being followed.

Governor 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.

The Tobacco Settlement Financing Corporation is a financial vehicle similar to the one Governor Bryan proposed to securitize the Matching Fund Revenues last year.

“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,” Governor Bryan said in August when the bond rating service Moody's upgraded the Tobacco Settlement Revenue Securitization Bonds from A3 to A1.

In its unqualified opinion, the audit report finished 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.

This 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," said Governor Bryan.

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.

The Bryan-Roach Administration is committed to transparency, stabilizing the economy, restoring trust in the government and ensuring the disaster recovery is completed as quickly as possible.

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