

**Matching Fund Special Purpose
Securitization Corporation
(A Blended Component Unit of the
Government of the U.S. Virgin Islands)**

Management's Discussion
and Analysis and Financial Statements (with
Independent Auditors' Report's Thereon)
Year Ended September 30, 2024

The report accompanying these financial statements was issued by
BDO USA, P.C., a Virginia professional corporation, and the U.S. member of
BDO International Limited, a UK company limited by guarantee.



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Matching Fund Special Purpose Securitization Corporation
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Independent Auditor's Report

To the Board of Directors
Matching Fund Special Purpose Securitization Corporation

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, and the debt service major fund of the Matching Fund Special Purpose Securitization Corporation (the "Corporation"), a blended component unit of the Government of U.S. Virgin Islands, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the debt service major fund information of the Corporation, as of September 30, 2024, and the respective changes in financial position and fund balance for the year ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

BDO USA, P.C., a Virginia professional corporation, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2025 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 solely 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 effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

BDO USA, P.C.

April 3, 2025

**Management's
Discussion and Analysis**

Matching Fund Special Purpose Securitization Corporation

(A Blended Component Unit of the Government of the U.S. Virgin Islands)

Management's Discussion and Analysis

The purpose of the following management's discussion and analysis of the financial performance and activity of the Matching Fund Special Purpose Securitization Corporation (the "Corporation") is to help readers understand the basic financial statements of the Corporation as of September 30, 2024, with selected comparative information for the period ended September 30, 2023. This discussion has been prepared by management and should be read in conjunction with the basic financial statements and the notes thereto, which follow this section.

The Corporation

The Corporation is a special purpose, independent and autonomous public corporation, and governmental instrumentality of the Government of the United States Virgin Islands (the "Government"), incorporated under the provisions of the Virgin Islands Act No. 8540, effective February 8, 2022, adding Chapter 24 to Title 29 of the Virgin Islands Code (the "Act"). On April 6, 2022, the Corporation issued the Matching Fund Securitization Bonds, Series 2022A (the "Series 2022A Bonds") and Taxable Series 2022B (the "Series 2022B Bonds") pursuant to: (i) the Act, (ii) Resolution No. 2 adopted by the Board of Directors of the Corporation on February 22, 2022, and (iii) the Master Trust Indenture as of April 1, 2022 (the "Master Indenture") as supplemented by the First Supplemental Trust Indenture dated April 1, 2022, by and between the Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

The Series 2022A and Series 2022B Bonds were issued by the Corporation to: (i) purchase from the Government the right, title and interest in Matching Fund Receipts (MFRs) received from the United States Department of Treasury, (ii) to pay capitalized interest on a portion of the Series 2022 Bonds and (iii) to pay certain costs of issuing the Series 2022 Bonds. The purchase price was the net proceeds of the Series 2022 Bonds and the issuance of a Residual Certificate to the Government entitling the Government to receive residual matching fund rights after required payments for debt service, corporate expenses and other obligations of the Corporation are paid.

The Act provides for the refunding and defeasance of the previously issued Matching Fund Bonds of the Public Finance Authority ("PFA") to which the Matching Fund Receipts has been pledged with the stated goal of freeing up funds to provide financial stability and liquidity to the Government's defined benefit pension system, the Government Employees' Retirement System of the Virgin Islands ("GERS"). The net proceeds of the Series 2022A and Series 2022B bonds were used to repurchase and defease the PFA Matching Fund Bonds. The Act provides for PFA to issue the GERS Funding Note with sixty (60) payments to GERS from April 2022 to October 2051 in amounts ranging from \$73.6 million to \$157.9 million. The Government has secured the GERS Funding Note with residual MFRs as the holder of the Residual Certificate.

The Government has also pledged the residual MFRs for the payment of certain subsidy and incentive payments due to the two rum companies that produce rum in the Virgin Islands for export to the United States. Subsidy and incentive payments include molasses subsidy payments for each gallon of molasses purchased for use in the production of rum, bulk rum production incentive payments, branded rum production incentive payments and marketing support and rum promotion support payments.

As of September 30, 2024, and 2023, the Corporation had outstanding Securitization Bonds of \$974.2 million and \$976.9 million, respectively, net of amortized bond premiums.

Matching Fund Special Purpose Securitization Corporation

(A Blended Component Unit of the Government of the U.S. Virgin Islands)

Management's Discussion and Analysis

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 Financial Statements.

- The Statement of Net Position and Governmental Fund Balance Sheet include all of the Corporation's assets, deferred outflows of resources, and liabilities and provides information about the nature and amounts of investments in resources (assets), deferred charges on the purchase of matching fund rights (deferred outflows of resources), 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 Position is prepared on an economic resources measurement focus and reports information about the Corporation using accounting methods similar to those used by private sector companies (accrual basis of accounting) and presents all assets, deferred outflows of resources, and liabilities of the Corporation. The Governmental Fund Balance Sheet focuses on the Corporation's balances of spendable resources available for the payment of expenditures, including payment of debt service requirements at the end of the fiscal year.
- The activity of the Corporation is accounted for in the Statement of Activities and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. These statements measure the success of the Corporation's operations during the period of operations and can be used to determine the Corporation's ability to meet its financial objectives and creditworthiness.
- The Statement of Activities presents information on how the Corporation's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided within.

Matching Fund Special Purpose Securitization Corporation

(A Blended Component Unit of the Government of the U.S. Virgin Islands)

Management's Discussion and Analysis

Summary of Financial Results

Government-Wide Financial Statements

Statement of Net Position - Table 1 summarizes the Corporation's Statement of Net Position as of September 30, 2024 and 2023.

**Table 1: Summary of Statement of Net Position
(in thousands)**

September 30,	2024	2023	Change	% Change
Assets				
Restricted	\$ 224,704	\$ 89,058	\$ 135,646	152%
Total assets	\$ 224,704	\$ 89,058	\$ 135,646	152%
Deferred outflows of resources	599,662	647,419	(47,757)	-7%
Total assets and deferred outflows of resources	\$ 824,366	\$ 736,477	\$ 87,889	12%
Liabilities				
Accrued expenses	\$ 78	\$ 86	\$ (8)	-9%
Interest payable	23,933	23,933	-	0%
Due to residual escrow agent	170,282	-	170,282	100%
Unearned matching fund receipts	181,069	212,040	(30,971)	-15%
Bonds payable, net of bond premium	974,233	976,909	(2,676)	0%
Total liabilities	\$ 1,349,595	\$ 1,212,968	\$ 136,627	11%
Net position (deficit):				
Restricted for debt service	224,704	\$ 89,058	135,646	152%
Unrestricted deficit	(749,933)	(565,549)	(184,384)	-33%
Total net position (deficit)	\$ (525,229)	\$ (476,491)	\$ (48,738)	-10%

As of September 30, 2024, the Corporation's assets amounted to \$224.7 million consisting of \$181.3 million in restricted cash and cash equivalents, and \$43.4 million in restricted investments. Restricted assets increased by \$135.6 million mainly due to an increase of \$150.6 million held in restricted cash and cash equivalents, offset by a reduction in restricted investments of \$15.0 million. Assets increased by \$135.6 million mainly due to the advance payment of matching funds in September 2024 of \$181.1 million and investment income of \$3.2 million, offset by the payment of general and administrative expenses of \$769,000, and payment of interest expense of \$47.9 million. Deferred outflows of resources decreased by \$47.8 million due to amortization of deferred outflows.

As of September 30, 2024, the Corporation's liabilities amounted to \$1.3 billion consisting of bonds payable, net of unamortized bond premium, of \$974.2 million, interest payable of \$23.9 million, a payment due to the residual escrow agent of \$170.3 million, accrued expenses of \$78,000 and unearned matching fund revenue of \$181.1 million.

Matching Fund Special Purpose Securitization Corporation

(A Blended Component Unit of the Government of the U.S. Virgin Islands)

Management's Discussion and Analysis

The increase in liabilities of \$136.6 million is due to the increase in liability due to the residual escrow agent of \$170.3 million (paid on October 1, 2024), offset by the decrease in unearned matching funds of \$31.0 and the amortization of bond premium of \$2.7 million.

Statement of Activities - Table 2 summarizes the Corporation's Statement of Activities for the Year Ended September 30, 2024 and 2023:

Table 2: Summary of Statement of Activities
(in thousands)

September 30,	2024	2023	Change	% Change
Matching fund revenues	\$ 212,040	\$ 226,165	\$ (14,125)	-6%
Investment income	3,221	2,814	407	14%
Total Revenues	215,261	228,979	(13,718)	-6%
Interest expense	45,191	45,190	1	0%
General and administrative	769	159	610	384%
Amortization of deferred outflows of resources	47,757	55,926	(8,169)	-15%
Payment of residual receipts to escrow agent	170,282	201,000	(30,718)	-15%
Total expenses	263,999	302,275	(38,276)	-12%
Change in net position (deficit)	(48,738)	(73,296)	24,558	34%
Net position (deficit) - beginning of year	(476,491)	(403,195)	(73,296)	-18%
Net position (deficit) - end of year	\$ (525,229)	\$ (476,491)	\$ (48,738)	-10%

For the year ended September 30, 2024, revenues of \$215.3 million consisted of MFRs of \$212.1 million and investment earnings of \$3.2 million. Revenues decreased by \$13.7 million due to the decrease in MFRs of \$14.1 million offset by an increase in investment income of \$407 thousand. MFRs decreased due to a net downward adjustment of \$18.9 million to the fiscal year 2022 rum production, based on actual results, offset by estimated production increases in fiscal year 2023. Investment income was higher due to increased dividends on investments reported through September 30, 2024, compared to the prior fiscal year.

Fiscal year 2024 expenses reported of \$264.0 million consist of general and administrative expense of \$769,000, interest expense of \$45.2 million, amortization of deferred outflows of resources amounting to \$47.8 million and the accrued payment to the residual escrow agent of \$170.3 million. Expenses are \$38.3 million less than the prior year mainly due to a reduction in payment to the residual escrow agent of \$30.7 million and a reduction in amortization of deferred outflows of resources of \$8.2 million offset by an increase in general and administrative expenses of \$610 thousand. Interest expense of \$45.2 million includes the accrual of interest due October 1, 2024.

Matching Fund Special Purpose Securitization Corporation

(A Blended Component Unit of the Government of the U.S. Virgin Islands)

Management's Discussion and Analysis

Governmental Fund Financial Statements

Governmental Fund Balance Sheet - Table 3 summarizes the Corporation's Balance Sheet as of September 30, 2024 and 2023.

**Table 3: Summary of Governmental Fund Balance Sheet
(in thousands)**

September 30,	2024	2023	Change	% Change
Restricted assets	\$ 224,704	\$ 89,058	\$ 135,646	152%
Total assets	224,704	89,058	135,646	152%
Deferred outflow of resources				
Purchase of matching fund rights	599,662	647,419	(47,757)	-7%
Total assets and deferred outflows of resources	824,366	736,477	87,889	12%
Total liabilities	351,429	212,126	139,303	66%
Fund balance	\$ 472,937	\$ 524,351	\$ (51,414)	-10%

As of September 30, 2024, the Corporation's assets amounted to \$224.7 million consisting of \$181.3 million in restricted cash and cash equivalents, and \$43.4 million in restricted investments. Restricted assets increased by \$135.6 million due to an increase in restricted cash of \$150.6 million and a decrease in restricted investments of \$15.0 million. Deferred outflows of resources decreased by \$47.8 million due to amortization of deferred outflows. The increase in total liabilities of \$139.3 million is due to the increase in liability due to the residual escrow agent of \$170.3 million (paid on October 1, 2024), offset by the decrease in unearned matching funds of \$31.0 million.

The Summary of Governmental Fund Revenues, Expenditures and Changes in Fund Balance - Table 4 summarizes the Corporation's Governmental Fund Revenues, Expenditures, and Changes in Fund Balance for the years ended September 30, 2024 and 2023.

**Table 4: Summary of Debt Service Fund Revenues,
Expenditures, and Changes in Fund Balance
(In thousands)**

September 30,	2024	2023	Change	% Change
Revenues	\$ 215,261	\$ 228,979	\$ (13,718)	-6%
Expenditures	266,675	304,287	(37,612)	-12%
Net change in fund balance	(51,414)	(75,308)	23,894	-32%
Fund balance - beginning of year	524,351	599,659	(75,308)	-12%
Fund balance - end of year	\$ 472,937	\$ 524,351	\$ (51,414)	-10%

In the fiscal year ended September 30, 2024, revenues of \$215.3 million consisted of MFRs of \$212.1 million and investment earnings of \$3.2 million. Revenues decreased by \$13.7 million due to the decrease in MFRs of \$14.1 million offset by an increase in investment income of \$407 thousand.

Matching Fund Special Purpose Securitization Corporation

(A Blended Component Unit of the Government of the U.S. Virgin Islands)

Management's Discussion and Analysis

MFRs decreased due to a downward adjustment of \$18.9 million related to fiscal year 2022 rum production, based on actual results, as offset by production increases in fiscal year 2023. Investment income was higher due to increases in dividends reported in the fiscal year.

In the fiscal year ended September 30, 2024, expenditures reported of \$266.7 million consisted of general and administrative expense of \$769,000, interest expense of \$47.9 million, amortization expense of \$47.8 million, and the payment due to the residual escrow agent of \$170.3 million. Expenditures are \$37.6 million less than the prior year due to a decrease in the residual escrow agent payment of \$30.7 million and a decrease in the amortization expense of \$8.2 million, offset by an increase in interest expense of \$665 thousand and an increase in general and administrative expense of \$610 thousand. Interest expense due to bondholders amounted to \$47.9 million for the year ended September 30, 2024.

Long-Term Debt Activity

On April 6, 2022, the Corporation issued the Series 2022A and Taxable Series 2022B Matching Fund Securitization Bonds ("Series 2022A and B Bonds") in the amount of \$952.8 million. The Series 2022A and B Bonds were issued with an original issue premium of \$28.1 million. The bonds are secured by a pledge of the Matching Fund Receipts and certain accounts established by the First Supplemental Trust Indenture between the Corporation and Trustee, The Bank of New York Mellon Trust Company, N.A.

The Series 2022A Bonds maturing on October 1, 2039, are subject to redemption prior to maturity at the election or direction of the Corporation, in whole or in part, on any date on or after October 1, 2032, at a Redemption Price of par plus any accrued interest thereon to the date fixed for redemption. The Series 2022B Bonds are subject to redemption prior to maturity, at the election or direction of the Corporation, on any date at a redemption price equal to the greater of (a) the principal amount of such Series 2022B Bonds to be redeemed, or (b) the sum of the present values of the remaining scheduled payments of principal interest, not including any portion of those payments of interest accrued and unpaid as of the date redeemed, discounted to the date of redemption at the U.S. Treasury Rate plus 50 basis points plus accrued interest. The "Make Whole Optional Redemption" of the Series 2022B Bonds will be calculated by an independent accounting firm or advisor retained by the Corporation.

Interest on the Series 2022A and B Bonds is payable semi-annually on each April 1 and October 1. Interest expense for the Year Ended September 30, 2024, was \$47.9 million. Principal payments are due October 1st, beginning October 1, 2025. A capitalized interest account was funded on the issuance of the bonds in the amount of \$112.2 million. As of September 30, 2024, the capitalized interest account amounted to \$43.4 million for future debt service payments.

On the issuance of the Series 2022A and 2022B Bonds, the Corporation received a bond rating by Kroll Bond Rating Agency ("KBRA") of BBB, with an outlook of stable operations. On April 15, 2024, KBRA affirmed the BBB rating and the stable outlook for the bonds.

Matching Fund Special Purpose Securitization Corporation

(A Blended Component Unit of the Government of the U.S. Virgin Islands)

Management's Discussion and Analysis

The table below summarizes bond activity during the year:

<i>Outstanding Bonds (in thousands of dollars)</i>	Total Series	Series 2022A	Series 2022B
Balance at September 30, 2023	\$ 952,825	\$ 930,315	\$ 22,510
New issuances	-	-	-
Principal payments	-	-	-
Balance at September 30, 2024	\$ 952,825	\$ 930,315	\$ 22,510

Significant Currently Known Facts

The following are currently known facts that could have a potential significant effect on financial position and changes in financial position in future years:

Payment Collections

MFR collections may vary based on the demand for rum products and the fluctuating price and availability of molasses. Future levels of consumption of distilled spirits, or rum consumption, or the future market share to be garnered by U.S. Virgin Islands rum is unknown. Molasses, the principal ingredient of rum, is traded in the international commodity markets.

There can be no assurance that molasses will be available for U.S. Virgin Islands rum production at a commercially viable price. Rum products are produced by two Virgin Islands companies. Interruptions in production by the two companies may result in a reduction of MFRs. The Virgin Islands is subject to windstorms and seismic activity which may also adversely impact molasses importation or the operations of the distilleries.

The ability of the Corporation to make debt service payments on bonds is contingent upon the receipt of MFR payments. The bonds issued by the Corporation do not constitute a claim against the full faith, credit, or taxing powers of the Government of the U.S. Virgin Islands.

Contacting the Corporation's Financial Management

This financial report is designed to provide the Corporation's customers, creditors, and other interested people with a general overview of its finances and to demonstrate the Corporation's accountability for the funds it receives. If you have questions about this report, or need additional financial information, contact:

Matching Fund Special Purpose Securitization Corporation
P.O. Box 430
St. Thomas, VI 00804
340-714-1635

Financial Statements

Matching Fund Special Purpose Securitization Corporation
(A Blended Component Unit of the Virgin Islands Public Finance Authority)

Statement of Net Position and Governmental Fund Balance Sheet
(in thousands)

<i>September 30, 2024</i>	Debt Service Fund	Adjustments	Statement of Net Position
Assets			
Restricted			
Cash and cash equivalents	\$ 181,348	\$ -	\$ 181,348
Investments	43,356	-	43,356
Total assets	224,704	-	224,704
Deferred outflows of resources			
Purchase of matching fund rights, net	599,662	-	599,662
Total assets and deferred outflows of resources	\$ 824,366	\$ -	\$ 824,366
Liabilities			
Accrued expenses	\$ 78	\$ -	\$ 78
Interest payable	-	23,933	23,933
Due to residual escrow agent	170,282	-	170,282
Unearned matching fund revenue	181,069	-	181,069
Bonds payable, net of bond premium	-	974,233	974,233
Total liabilities	351,429	998,166	1,349,595
Fund balance			
Restricted for debt service	224,704	(224,704)	-
Unassigned fund balance (deficit)	248,233	(248,233)	-
Total fund balance	472,937	(472,937)	-
Total liabilities and fund balance	\$ 824,366	\$ 525,229	\$ 1,349,595
Net position (deficit):			
Restricted for debt service	\$ -	\$ 224,704	\$ 224,704
Unrestricted deficit	-	(749,933)	(749,933)
Total net position (deficit)	\$ -	\$ (525,229)	\$ (525,229)

See accompanying notes to financial statements.

Matching Fund Special Purpose Securitization Corporation
(A Blended Component Unit of the Virgin Islands Public Finance Authority)

**Statement of Activities and Governmental Fund Statement of Revenue,
Expenditures and Changes in Fund Balance**
(in thousands)

<i>September 30, 2024</i>	Debt Service Fund	Adjustments	Statement of Net Position
Revenues			
Investment income	\$ 3,221	\$ -	\$ 3,221
Matching fund revenues	212,040	-	212,040
Total revenues	215,261	-	215,261
Expenditures/Expenses			
General and administrative	769	-	769
Interest expense	47,867	(2,676)	45,191
Amortization of deferred outflows of resources	47,757	-	47,757
Payment of residual receipts to escrow agent	170,282	-	170,282
Total expenditures/expenses	266,675	(2,676)	263,999
Net change in fund balance/net position (deficit)	(51,414)	2,676	(48,738)
Fund balance/net position (deficit):			
Beginning of period	524,351	(1,000,842)	(476,491)
End of year	\$ 472,937	\$ (998,166)	\$ (525,229)

See accompanying notes to financial statements.

Matching Fund Special Purpose Securitization Corporation

(A Blended Component Unit of the Government of the U.S. Virgin Islands)

Notes to Financial Statements

1. Reporting Entity

The Matching Fund Special Purpose Securitization Corporation (the “Corporation”) is a special-purpose, independent and autonomous public corporation and governmental instrumentality of the United States Virgin Islands incorporated on February 8, 2022. The Corporation was organized as a Virgin Islands nonprofit corporation in accordance with Title 13, Chapter 3 Section 491 of the Virgin Islands Code, and Act No. 8540, passed by the Virgin Islands Legislature on January 31, 2022, and approved by the Governor on February 8, 2022. The Corporation is a blended component unit of the Government of the Virgin Islands (“Government”). The Board of Directors of the Corporation includes the Governor and four private citizens appointed by the Governor.

The Corporation was created to: (i) purchase from the Government the right, title and interest to receive federal excise taxes on rum products produced in the Virgin Islands and exported to the United States (the “Matching Fund Receipts” or “MFRs”) imposed and collected under Title 26, Section 7652 of the United States Code, (ii) issue Matching Funds Securitization Bonds and a Residual Certificate, (iii) use the net proceeds of the Bonds to acquire the Government’s interest and title in the MFRs and fund payments set forth in the Master Trust Indenture between the Corporation and The Bank of New York Mellon Trust Company, N.A., as Trustee, (iv) provide an irrevocable direction to the Department of the Interior (“DOI”) to direct the Department of the Treasury (“U.S. Treasury”) to make annual payments of MFRs to the GVI Restricted Account, owned by the Government, and (v) to fund the Residual Accounts with MFRs after the payment of debt service on the bonds, costs of the issuance, maintenance of reserve funds, other obligations and operating expenses of the Corporation.

Act 8540 authorized the creation of the Corporation, and the issuance of the Matching Fund Securitization Bonds, to increase revenues dedicated to improving the solvency of the Government Employee’s Retirement System of the U.S. Virgin Islands (“GERS”). GERS is a multiple employer defined benefit pension plan that plan actuaries had predicted would be insolvent by October 2024 without remediation by the Government. The issuance of the Matching Fund Securitization Bonds provided a plan of finance to defease the existing bonds with pledged MFRs issued by the Virgin Islands Public Finance Authority (“Public Finance Authority”), and to provide Residual Revenues for the establishment of a loan from the Public Finance Authority to GERS (“GERS Funding Note”) to promote the solvency of the pension plan.

The Corporation is a blended component unit of the Government of the U.S. Virgin Islands. The financial statements of the Corporation are not intended to present fairly the financial position and results of operations of the Government. Only the accounts of the Corporation are included in the reporting entity. There are no component units that should be considered for inclusion in the Corporation’s financial statements.

2. Summary of Significant Accounting Policies

The financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”), as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted, standard-setting body for establishing governmental and financial reporting standards.

Matching Fund Special Purpose Securitization Corporation

(A Blended Component Unit of the Government of the U.S. Virgin Islands)

Notes to Financial Statements

Basis of Presentation

The Corporation's basic financial statements include both government-wide (reporting on the corporation as a whole) and governmental fund financial statements.

Government-wide Financial Statements

The government-wide financial statements, i.e., the Statement of Net Position and the Statement of Activities, report on all activities of the Corporation. The government-wide focus is on the sustainability of the Corporation as an entity and the change in the Corporation's net position resulting from current period activities.

Government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under 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.

Fund Financial Statements

In addition to the government-wide financial statements, the Corporation has prepared fund financial statements, i.e., a governmental funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances. The fund financial statements include a reconciliation of the governmental Balance Sheet to the government-wide Statement of Net Position and a reconciliation of the governmental Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.

The governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded as soon as they are considered measurable and available. Revenues are considered available when they are collectible within the current fiscal year 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 90 days after the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, except that principal and interest on long-term debt is recognized when due.

The Corporation reports on one governmental fund—the Debt Service Fund. The Debt Service Fund reports the accumulation of resources restricted for the payment of principal and interest on the bonds payable and the payment of Residual Receipts to the Residual Receipt escrow agent. 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.

As a blended component unit of the Government, the Corporation's financial statements are combined into the basic financial statements of the Government. 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.

Matching Fund Special Purpose Securitization Corporation

(A Blended Component Unit of the Government of the U.S. Virgin Islands)

Notes to Financial Statements

Restricted Assets

The use of certain assets of the Corporation is restricted by specific provisions of bond resolutions and the Master Trust Indenture. Assets subject to such designations are identified as restricted assets on the Statement of Net Position and the Governmental Fund Balance Sheet.

Cash and Cash Equivalents

The Corporation considers cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date acquired by the Corporation to be cash and cash equivalents.

Investments

The Corporation reports investments at fair value, based on quoted market prices. In accordance with fair value measurements established in GASB Statement No. 72, *Fair Value Measurement and Application*, the Corporation values investments at quoted market prices when available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments or values obtained from independent pricing services.

Deferred Outflows of Resources

Under GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, the Corporation recognized the purchase price of the matching fund rights from the Government as a deferred outflow that is amortized over the transfer period of the Sale Agreement date to the final term of the outstanding Matching Fund Securitization Bonds.

Accrued Expenses Payable

The Corporation has entered into a services agreement with the Public Finance Authority (“PFA”) for professional services and the use of PFA office space and equipment. The Corporation also reimburses the PFA for all reasonable out-of-pocket expenses, bond issuance costs, and other costs. Amounts due and unpaid at year-end are reported as accrued expenses payable.

Unearned Matching Fund Revenues

On April 6, 2022, the Corporation purchased the right, title, and interest to receive the MFRs under the terms of the Assignment, Purchase and Sale Agreement (“Sale Agreement”) with the Government. MFRs are paid annually for the next fiscal year ending September 30 using estimates of the amount of rum to be shipped to the United States. In accordance with GASB Statement 33, *Accounting and Financial Reporting for Nonexchange Transactions* and GASB Statement 65, *Items Previously Reported as Assets and Liabilities*, tax revenues received in advance (unearned but available) are reported as an unearned revenue liability in the governmental and government-wide financial statements.

Matching Fund Special Purpose Securitization Corporation

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Notes to Financial Statements

Bonds Payable

In the government-wide financial statements, bonds payable are reported as a liability in the Statement of Net Position. Bond premiums are amortized over the life of the bonds they relate to using the effective interest method. Bonds are reported net of bond premiums.

In governmental funds, bond premiums are recognized in the year debt is issued as an other financing source of revenue. Debt issued is also reported as other financing sources of revenues and principal payments on debt are reported as debt service expenditures.

Fund Balance

Fund balance is the difference between total assets and deferred outflows of resources and total liabilities. The majority of the Corporation's assets were derived from the sale of bonds and the collection of MFRs to be used for debt service payments.

Use of these assets is controlled by specific provisions of bond resolutions. As such, amounts derived from bond proceeds and revenue collections for debt service have been reported as restricted for debt service.

Net Position

Net position is classified in the following components:

- Restricted net position consists of external constraints placed on net position use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position consists of the remaining portion of net position that is not included in restricted net position.

Taxes

The Corporation is exempt from the payment of all U.S. Virgin Islands taxes on all assets and income.

Use of Estimates in the Preparation of Financial Statements

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, deferred outflows of resources, 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 fiscal year. Actual results could differ from those estimates.

Adoption of Accounting Pronouncements

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. This Statement establishes accounting and financial reporting requirements for: (1) accounting changes and (2) the correction of an error in previously issued financial statements. The Statement requires changes in accounting principles and error corrections be reported retroactively by restating prior periods.

Matching Fund Special Purpose Securitization Corporation

(A Blended Component Unit of the Government of the U.S. Virgin Islands)

Notes to Financial Statements

Changes with the financial reporting entity should be reported by adjusting beginning balances of the current period and changes in accounting estimates should be reported prospectively by recognizing the change in the current period. The Statement is effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023. The Corporation has evaluated this Statement and determined there is no impact on the financial statements.

Following are statements issued by GASB that are effective in future years:

GASB Statement No.		Adoption Effective in Fiscal Year
101	Compensated Absences	2025
102	Certain Risk Disclosures	2025
103	Financial Reporting Model Improvements	2026
104	Disclosure of Certain Capital Assets	2026

Earlier application of these standards is permitted to the extent specified in each pronouncement as originally issued. The Corporation is currently evaluating the impact of these statements.

3. Cash and Cash Equivalents

Cash and cash equivalents, at September 30, 2023, are as follows:

<i>(in thousands)</i>	Bank Balance	Carrying Amount
Restricted:		
Cash	\$ 181,348	\$ 181,348
Total	\$ 181,348	\$ 181,348

Restricted cash and cash equivalents represent cash segregated for debt service due under the Corporation's debt agreements.

Custodial credit risk is the risk that in the event of bank failure, the Corporation's deposit may not be returned. The Corporation does not have a custodial risk policy. The Corporation maintains its deposits at one financial institution, which, at times may exceed federally insured limits. Generally, the Federal Deposit Insurance Corporation insures depositor funds up to \$250 thousand. The Corporation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its deposits.

Matching Fund Special Purpose Securitization Corporation

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Notes to Financial Statements

4. Restricted Investments

The Corporation maintains restricted investments for Debt Service. The Corporation categorizes the fair market measurements of its investments within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application*, provides the framework for measuring fair value by establishing a three-level fair value hierarchy that describes inputs that are used to measure assets and liabilities as follows:

- *Level 1:* Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.
- *Level 2:* Inputs are other than quoted prices included within Level 1 that are observable for an asset or liability, that are either directly or indirectly observable.
- *Level 3:* Inputs are significant unobservable inputs.

The fair value hierarchy gives the highest priority to Level 1 and the lowest priority to Level 3 inputs. If a price for an identical asset is not observable, a government may evaluate fair market value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

If the fair value of an asset is measured using inputs from more than one level of the fair market value hierarchy, the measurement is based on the lowest level input that is significant to the entire measurement.

The following section describes the valuation technique methodologies the Corporation is using to measure assets at fair value:

- *Money Market Funds* - Investments in money market funds, which at the time of purchase have a maturity of one year or less and are held by governments outside of external investments pool, are valued at amortized cost.

As of September 30, 2024, the Corporation had restricted investments totaling \$43.4 million which were maintained in money market funds.

Interest Rate Risk. Interest rate risk is the risk that changes in an interest rate will adversely affect the fair value of an investment. The Corporation does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair market value losses arising from increasing interest rates.

Custodial Credit Risk. The Corporation does not have a custodial credit risk policy. The custodial credit risk for investments is the risk that, in the event of the failure of a depository financial institution or other counterparty, the Corporation will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party. For the year ended September 30, 2024, all investments of the Corporation were held in the name of the Bank of New York Mellon Trust Company, N.A. as Trustee for the Corporation.

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(A Blended Component Unit of the Government of the U.S. Virgin Islands)

Notes to Financial Statements

5. Deferred Outflow of Resources

On April 6, 2022, the Corporation entered an Assignment, Purchase and Sale Agreement (the “Sale Agreement”) with the Government. Under the terms of the Agreement, the Government sold its right to receive future matching fund receipts from the U.S. Treasury. The term of the Sale Agreement was for a transfer period beginning on the sale agreement date and ending when the last Matching Fund Securitization Bond is outstanding on October 1, 2039 (the “Transfer Period”). The Corporation issued the Series 2022 Bonds to purchase the rights and recognized the part of the purchase price used to defease the previously issued Matching Fund Bonds of the Public Finance Authority as a deferred outflow that is amortized over the life of the sale agreement.

Following is a summary of the deferred outflow amounts reported as of September 30, 2024:

<i>Deferred Outflow of Resources (in thousands)</i>	
Deferred outflow of resources - purchase of matching fund rights (MFRs)	\$ 762,996
Accumulated amortization	(163,334)
Net deferred outflow of resources on purchase of MFRs	\$ 599,662

Amortization of the deferred outflows on the purchase of the matching fund receipts amounted to \$47.8 million for the year ended September 30, 2024.

6. Bonds Payable

Bonds payable consisted of the following as of September 30, 2023:

<i>Series (in thousands)</i>	Maturity (October 1)	Original Issuance	Interest Rate	Yield	Bonds Outstanding
Series 2022A, Term Bond	2025	\$ 17,475	5.000%	4.050%	\$ 17,475
Series 2022B, Term Bond	2025	22,510	6.000%	6.000%	22,510
Series 2022A, Term Bond	2026	54,710	5.000%	4.150%	54,710
Series 2022A, Term Bond	2027	57,515	5.000%	4.250%	57,515
Series 2022A, Term Bond	2028	60,460	5.000%	4.300%	60,460
Series 2022A, Term Bond	2030	130,380	5.000%	4.433%	130,380
Series 2022A, Term Bond	2032	144,090	5.000%	4.522%	144,090
Series 2022A, Term Bond	2039	465,685	5.000%	4.730%	465,685
Subtotal		952,825			952,825
Bond premium		21,408			21,408
Bonds payable and premium		\$ 974,233			\$ 974,233

On April 6, 2022, the Corporation issued the Series 2022A and Taxable Series 2022B Matching Fund Securitization Bonds (“Series 2022A and B Bonds”), the proceeds of which amounted to \$952.8 million. The bonds are secured by a pledge of MFRs, and certain accounts established by the First Supplemental Trust Indenture between the Corporation and Trustee, The Bank of New York Mellon Trust Company.

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(A Blended Component Unit of the Government of the U.S. Virgin Islands)

Notes to Financial Statements

The Series 2022A and B Bonds were issued to: (i) purchase from the Government all of its right, title and interest in and to the MFRs, (ii) pay capitalized interest on the Series 2022 Bonds, (iii) pay the costs of issuance of the bonds, and (iv) transfer to the GERS Funding Note Trustee an amount sufficient to fund the GERS Funding Note Payment Obligations. The Series 2022A Bonds were issued with an original issue premium of \$28.1 million.

Interest on the Series 2022A and B Bonds is payable semi-annually on each April 1 and October 1, beginning October 1, 2022, and principal payments are due October 1, beginning October 1, 2025. A capitalized interest account was funded on the issuance of the bonds in the amount of \$112.2 million. Capitalized interest applied to semi-annual interest payments in the prior year amounted to \$18.3 million on October 1, 2022, \$18.8 million on April 1, 2023, \$18.8 million on October 1, 2023, and \$18.2 million on April 1, 2024. Interest expense for the Year Ended September 30, 2024, amounted to \$47.9 million including \$23.9 million accrued for interest due October 1, 2024.

The Series 2022A Bonds maturing on October 1, 2039, are subject to redemption prior to maturity at the election or direction of the Corporation, in whole or in part, on any date on or after October 1, 2032, at a Redemption Price of par plus any accrued interest thereon to the date fixed for redemption.

The Series 2022B Bonds are subject to redemption prior to maturity, at the election or direction of the Corporation, on any date at a redemption price equal to the greater of (a) the principal amount of the Series 2022B Bonds to be redeemed, or (b) the sum of the present values of the remaining scheduled payments of principal interest, not including any portion of those payments of interest accrued and unpaid as of the date redeemed, discounted to the date of redemption at the U.S. Treasury Rate plus 50 basis points plus accrued interest. The “Make Whole Optional Redemption” of the Series 2022B Bonds will be calculated by an independent accounting firm or advisor retained by the Corporation.

Future Debt Service Requirements

Future maturity dates and debt service requirements for the 2022 Series A and Series B Term Bonds are as follows:

<i>Period Ending September 30, (in thousands)</i>	Principal	Interest	Total
2025	\$ -	\$ 47,866	\$ 47,866
2026	39,985	46,754	86,739
2027	54,710	44,274	98,984
2028	57,515	41,469	98,984
2029-	60,460	38,519	98,979
2030-2034	352,100	142,785	494,885
2035-2039	384,930	45,058	429,988
2040	3,125	78	3,203
Bonds payable and premium	\$ 952,825	\$ 406,803	\$ 1,359,628

Matching Fund Special Purpose Securitization Corporation

(A Blended Component Unit of the Government of the U.S. Virgin Islands)

Notes to Financial Statements

Following is the schedule of debt issuances and payments for the year ending September 30, 2024:

<i>Change in Outstanding Debt (in thousands)</i>	Total Series	Series 2022A	Series 2022B
Balance at September 30, 2023	\$ 952,825	\$ 930,315	\$ 22,510
New issuances	-	-	-
Principal payments	-	-	-
Balance at September 30, 2024	\$ 952,825	\$ 930,315	\$ 22,510

As of September 30, 2024, there are no amounts due within one year for the outstanding debt across all series.

Other Bond Information

Act 8540 provides conditions of the issuance of the Matching Fund Securitization Bonds including: (i) a portion of the proceeds of the Series 2022 Bonds to be escrowed for the refunding of the Public Finance Authority Matching Fund Bonds, (ii) the Corporation to deliver an irrevocable letter of instruction to DOI for the deposit of MFRs, (iii) the deposit of MFRs into the GVI Restricted Account as required by 26 U.S.C. Section 7652, (iv) the issuance of the Residual Certificate to the Government, (v) the issuance of the GERS Funding Note for deposit as an in-kind contribution from the Public Finance Authority to GERS, and (vi) the release by GERS of all pending claims regarding outstanding employer contributions and dismissal of all pending litigation between the Government and GERS. These conditions were met, and the bonds were issued on April 6, 2022.

The GVI Restricted Account is the trust account established in the name of the Government, in trust and for the sole benefit of the Corporation, and the Corporation's collateral assignee, the Trustee. The U.S. Department of Treasury through DOI deposits the advance payment of MFRs into the GVI Restricted Account in September.

On April 6, 2022, the Corporation paid \$763.0 million of bond proceeds to the Refunding Escrow Agent of the Public Finance Authority as part of a plan to defease the outstanding Matching Fund Bonds issued by the Public Finance Authority. The Corporation also paid the Public Finance Authority the initial payment under the GERS Funding Note of \$89.2 million and the costs of issuance of establishing the GERS Funding Note of \$1.6 million.

Pursuant to the Act and the Master Indenture, the Series 2022 Bonds are secured by a priority lien on the Trust Estate consisting of the right, title, and interest of the Corporation in the GVI Restricted Account, MFRs and Related Rights, and the right to continue receiving MFRs under the Sale Agreement. The Trust Estate does not include any moneys held in the Residual Escrow accounts.

7. Matching Fund Receipts

On September 11, 2024, the U.S. Treasury deposited the advance payment of fiscal year 2025 MFRs of \$181.1 million into the GVI Restricted Account. On October 1, 2024, \$10.3 million was deposited into the Debt Service Fund Interest Account, \$700 thousand was deposited into the Operating Account, and \$170.3 million was deposited into the Residual Fund. The \$170.3 million was transferred on October 1, 2024, to the Residual Escrow Fund of the Public Finance Authority.

Matching Fund Special Purpose Securitization Corporation

(A Blended Component Unit of the Government of the U.S. Virgin Islands)

Notes to Financial Statements

8. Related Party Transactions

During the year ended September 30, 2024, the Corporation reimbursed the PFA \$686 thousand in connection with expenses paid on behalf of the Corporation.

8. Contingencies

Debt Service

The payment of the Series 2022A and Series 2022B Term Bonds is dependent on the receipt of MFRs. The federal excise tax and the federal excise tax per proof gallon (the "Cover-Over Rate") is set by Congress in Sections 5001(a)(1) and 7652(f) of the Code of Federal Regulations (CFR). Until 1984, a cover-over rate of \$13.50 per proof gallon on distilled spirits produced in, or imported into, the United States, qualified for reimbursement. Beginning in 1984, Congress introduced a cap on the cover-over rate of \$10.50 per gallon. From July 1, 1999, to December 31, 2021, the cap on the cover-over rate was increased to \$13.25. In September 2021, DOI advanced MFRs for the fiscal year ended September 30, 2022, based on the projected cover-over rate of \$13.25. Congress has not acted to continue the increase in the cover-over rate cap, which returned to \$10.50 per proof gallon effective January 1, 2022.

The amount of MFRs collected is dependent on many factors, including the future level of consumption of distilled spirits and the future market share to be garnered by U.S. Virgin Islands rum. Currently, rum is produced in the U.S. Virgin Islands by two companies. There can be no assurance that another producer will not enter the market or that the two companies will maintain their current and planned production levels.

Rum producers in the U.S. Virgin Islands are subject to operational risks including hurricanes, seismic activity and other effects of climate change that may impact rum production and exportation to the United States.

One of the principal ingredients of rum is molasses, which is purchased on international commodity markets. The market price of molasses is subject to fluctuation and there is no assurance that molasses will be available for production or available at a commercially viable price.

The Series 2022 Matching Fund Securitization Bonds are payable only from the assets of the Corporation. If the assets of the Corporation are inadequate or have been exhausted, no amounts will be available for the payment of debt service requirements. The Series 2022 Bonds are not legal or moral obligations of the Government of the United States Virgin Islands, and no recourse may be had thereto for payment of amounts owing on the Series 2022A Term Bonds. The Corporation's only source of funds for payments on the Series 2022A Term Bonds is the MFRs. The Corporation has no taxing power.

The assets of the Corporation are not available to pay any creditor of the Government of the United States Virgin Islands. The Bonds issued by the Corporation do not constitute a claim against the full faith, credit, or taxing power of the Government.

Matching Fund Special Purpose Securitization Corporation
(A Blended Component Unit of the Government of the U.S. Virgin Islands)

Notes to Financial Statements

9. Subsequent Events

Management's Evaluation

Management has evaluated any events or transactions occurring after September 30, 2024, the Statement of Net Position and Governmental Fund Balance Sheet date, through April 3, 2025, and noted that there have been no additional events or transactions which would require adjustments to or disclosure in the Corporation's financial statements for the year ended September 30, 2024.

**Other Reporting Required by
*Government Auditing Standards***



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Independent Auditor’s Report 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
Matching Fund Special Purpose Securitization Corporation

We have audited, in accordance with the 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, the financial statements of the governmental activities, and the debt service major fund, of the Matching Fund Special Purpose Securitization Corporation (the “Corporation”), a blended component unit of the Government of U.S. Virgin Islands, from September 30, 2024, and the related notes to the financial statements, which collectively comprise the Corporation’s basis financial statements, and have issued our report thereon dated April 3, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Corporation’s internal control.

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 a 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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from 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 financial statements. 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*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, P.C.

April 3, 2025